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ABSTRACT

This book has been designed to provide practical information to managers on how to work with outside contractors in the higher education facilities area, and provides "real world" advice on the opportunities and pitfalls of privatization. Overviews and detailed case studies of contracting-out for services such as custodial services and grounds management are provided. The chapters include: (1) "Making the Contract or Self-Operation Decision" (Philip J. Goldstein and others); (2) "The Make-or-Buy Decision: The Organization of U.S. Campus Plant Operations" (Malcolm Getz and others); (3) "A Practical Approach to Contracting for Services" (Edward C. Bogard); (4) "Contracting for Facilities Management Services: An Ethical Dilemma" (Alan L. Ingle); (5) "Virginia's Make-or-Buy Competitive Procurement Program (Richard Fowler and others); (6) "Partnering for Successful Service Contracting" (Thomas E. Harkenrider); (7) "Contracted Custodial Services at Butler University" (Michael Gardner); (8) "Make-or-Buy Procurement of Painting Services at UVA" (Don A. Hicklin); (9) "Contracted Landscape and Turf Management Services" (Ted Warner); and (10) "From Contracting to In-House Services at American University" (Jorge J. Abud). (Contains 54 references.) (JLS)

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Critical Issues in Facilities Management

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Critical Issues in Facilities Management

9

CONTRACTING FOR FACILITIES SERVICES

APPA
The Association of Higher Education Facilities Officers

Critical Issues in Facilities Management

Computer Applications
Work Control
Personnel Management and Development
Capital Renewal and Deferred Maintenance
Management Basics
Energy Management
Planning, Design, and Construction
Operations and Maintenance
Contracting for Facilities Services

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Contributors

Jorge J. Abud
Assistant Vice President for Facilities Management, American University, Washington, D.C.

Edward C. Bogard
Director of Facilities Management and Planning, University of Nebraska Medical Center, Omaha, Nebraska

Richard Fowler
Director, Facilities Operations, University of Virginia, Charlottesville, Virginia

Michael Gardner
Director of Facilities Management, Butler University, Indianapolis, Indiana

Malcolm Getz
Associate Provost for Information Services and Technology, Vanderbilt University, Nashville, Tennessee

Philip J. Goldstein
Managing Associate, Higher Education Consulting Group, Coopers & Lybrand, New York

Jon M. Gullette
Associate Vice-Chancellor for Plant Operations, Vanderbilt University, Nashville, Tennessee

Thomas E. Harkenrider
Director of Facilities Management, The Salk Institute for Biological Studies, LaJolla, California

Don A. Hicklin
Service Contracts Manager, Work Management Department, Facilities Management, University of Virginia, Charlottesville, Virginia

Alan L. Ingle
Assistant Vice President for Facilities Operations, State University of New York at Stony Brook, Stony Brook, New York

Daphne E. Kempner
Managing Associate, Higher Education Consulting Group, Coopers & Lybrand, Boston, Massachusetts

Diane E. Kilpatrick
Budget Accounting Analyst, Vanderbilt University, Nashville, Tennessee

Jay Klingel
Director, Work Management Department, Facilities Management, University of Virginia, Charlottesville, Virginia

William Middleton
Assistant Vice President, Facilities Management (retired), University of Virginia, Charlottesville, Virginia

Sean C. Rush
Vice President, Higher Education Group, IBM, formerly Chairman, Higher Education Consulting Group, Coopers & Lybrand, Boston, Massachusetts

John J. Siegfried
Professor of Economics, Vanderbilt University, Nashville, Tennessee

William Stauff
Director, Business Operations, University of Virginia, Charlottesville, Virginia

Ted Warner
Project Manager, University of Maryland, College Park, Maryland

Introduction

Sean C. Rush

American higher education has been a significant growth industry. By any quantitative measure—institutions, students, assets, employment—colleges and universities have experienced phenomenal growth in size and complexity. On the eve of the American Revolution, nine colonial colleges were in operation, enrolling at most 2,000 students. By 1950, the country had 1,800 institutions and 2.7 million students attending them. And then, fueled by the GI Bill, the baby boom, and the space race, higher education entered what many consider its "golden age." Over the next forty years, the number of institutions nearly doubled; student enrollments swelled to 14 million and the number of facilities quadrupled. Today, higher education is the nation's thirteenth largest industry, spending some $150 billion annually and employing several million faculty and staff.

Underlying this impressive growth, however, were several tell-tale signs of future problems. Birth rates declined. Economic growth slowed. The Cold War ended, decreasing defense spending and its associated research. New social problems emerged, creating greater competition for public spending. These external problems combined with internal issues of cost control, financial aid, deferred maintenance, and productivity, to place extraordinary pressure on every college and university in the 1990s. The concerns today are not coping with rapid growth but rather, how to downsize and how to counter increasingly negative public opinion about the cost and effectiveness of higher education.

The core issues facing higher education are accountability, access, affordability, efficiency, outcomes, and quality. Such

questions challenge the very nature of the college and university enterprise and have provoked considerable hand-wringing and soul-searching among higher education's leaders.

Most institutions are engaged in some form of fundamental reassessment of their programs and activities. These discussions are not limited solely to a school's academic programs. The scrutiny also includes most of the "business activity" of higher education. Colleges and universities provide more than an education to students. Many institutions are, in effect, small cities, providing security, health services, retail operations, food services, childcare, utilities, and numerous other services to its "citizens." How and whether to offer these services is of no small concern to colleges and universities under extreme budgetary constraints.

Increasingly, privatization (also called contract management or outsourcing) is being raised as one solution in the budget balancing exercise. Privatization refers to the decision to contract with an external organization to provide a traditional campus function or service. Historically, it has been common for institutions to contract for bookstore or dining services. More recently, though, numerous other outsourcing endeavors have emerged in a variety of areas—facilities, computing, security, payroll, and child care, to name but a few. And as the financial pressure on institutions increases, it is conceivable that virtually any administrative activity could be outsourced.

Unfortunately, many institutions begin their discussion of privatization with the wrong question: Should we or shouldn't we outsource function X? The core question is *not* whether it is better to self-operate or to contract. Instead, an institution should evaluate all operating and management approaches from an array of alternatives. This means thoroughly understanding the functional area in terms of its strengths and weaknesses, challenges and opportunities, and the met and unmet needs of its customers. Only then can an informed choice be made about privatizing or self-operating a campus service.

All too often, the outsourcing decision is made in response to a real or perceived crisis, with inadequate attention paid to customer service. Institutional strategy or financial performance. Many times, the decision is made unilaterally without

consulting with internal and external stakeholders. In most cases, the choice is made without objectively understanding why the current operation is considered ineffective. The resulting decision often perpetuates fundamental flaws in the institution's management approach and does not achieve the desired outcome for the campus and its constituents.

There is no right or wrong answer to the outsourcing question. Each institution must evaluate the choice in light of its priorities, capabilities, customers, and strategy. Some might see outsourcing as a way to solve financial problems, minimize headaches, and concentrate on the core mission of the institution. Others view outsourcing as a loss of control, displaced employees, and higher costs to students. Without an objective decision-making framework and objective analysis, it is difficult to make a good decision given these contrasting views.

For some institutions, outsourcing may be the correct solution. In the facilities management arena, a number of institutions have contracted a variety of functions to outside vendors. Planning and design, project management, custodial services, maintenance rounds, and a host of other activities are provided to institutions by outside contractors.

This book has been designed to provide practical information to managers on how to work with outside contractors in the facilities area by providing "real world" advice on the opportunities and pitfalls of privatization. By reading this book facilities managers should gain a solid understanding of the basic principles of selecting a contractor. What also should be clear after reading this book is that there are no absolutes; no single model on which to base an institution's services. The case studies outline the experiences of several institutions and illustrate a variety of approaches. For those individuals seeking a broader perspective on the topic of privatization, the monograph *Contract Management or Self-Operation* is a good starting point. Published by APPA for the Council of Higher Education Management Associations (CHEMA), the monograph provides a conceptual overview of the privatization issues and describes a framework for addressing them.

The advice contained on the following pages should be carefully heeded. In the end, only the provision of a service can be contracted to a vendor. In the eyes of the customer and the

campus community, ultimate accountability and responsibility for the service will always rest with the institutional management.

Making the Contract or Self-Operation Decision

Philip J. Goldstein
Daphne E. Kempner
Sean C. Rush

The college or university of today is expected to provide far more to its students than an education. Schools, both large and small, create entire communities for their student, faculty, and staff, offering everything from housing to mail services. As the infrastructure of institutions has grown, so too have support organizations such as computing centers, campus police forces, and facilities management organizations. In fact, it is not uncommon for the campus of today to find itself simultaneously operating a large police force, several dining halls and catering business, a multi-million dollar retail operation, a child care center, and other business enterprises in support of its educational mission.

The economic pressures of the 1990s have forced many colleges and universities to fundamentally reassess both the mix and method of offering these services to the campus community. Central to this assessment is the question of whether to self-operate or to contract for the provision of one or more of these services. Traditionally, institutions have considered the contract management/self-operation question as a result of an operational, managerial, or fiscal crisis. More recently, institutions have sought to change their management approach as a way to raise the level and quality of customer service, to improve financial performance, or as the result of a strategic decision to refocus the institution's management

resources on those areas that are directly related to institutional mission.

Is contract management or "privatization" good for higher education? There are no easy answers to this question. In fact, the question is best answered on a case-by-case, campus-by-campus, and function-by-function basis. Instead, this chapter offers an objective framework for deciding how best to operate any function on campus. The emphasis is on the questions, stakeholders, and analyses that go into determining whether self-operation, contract management, or some combination of the two will offer the best opportunities for meeting the goals and objectives set out for a functional area.

In the past, institutions have had mixed success at making the contract management or self-operation decision. In many cases, the decision has been made unilaterally without consulting with or "selling" the decision to internal and external constituent groups. Still other institutions have changed management approaches without addressing the reasons that the prior management approach failed. The approach presented here is designed to yield a consensus-based, customer-driven choice that reflects the cultural, ethical, and operational priorities of the institution.

CONCEPTUAL DECISION PROCESS

Regardless of the specific function, service, or activity, there is a core set of issues and questions that management needs to consider in every contract management and/or self-operation decision. These core "decision factors" can be grouped into six categories.

1. *Financial.* The direct and indirect cost to the institution of providing a service through each of the operational alternatives available.
2. *Human Resources.* The effect on employees both within and outside the functional area being considered, including the impact on employee compensation, staffing levels, performance evaluation, and compliance with AA/EEO policies.
3. *Mission and Culture.* The impact on the institution's mission and culture and the implications of choosing an alternative that is not consistent with the institution's historical mission and culture.

4. *Management Control and Efficiency.* The likely impact that each option will have on the institution's ability to control the overall direction and operational priorities of the functional area and the implications of choosing a management philosophy that features decreased or increased control. Does the institution have the necessary management infrastructure (people, systems, facilities) in place to provide a particular service? Can these capabilities be acquired cost-effectively?
5. *Service Quality.* The effect each option will have on meeting the needs of its primary customers (students, faculty, and staff).
6. *Legal and Ethical Considerations.* The level of risk and potential liability posed by each option, potential conflicts of interest, tax ramifications, and the potential pitfalls and power of the contract.

The relative importance that each of these decision factors has in selecting an operating model will vary from institution to institution and between functional areas. For instance, legal considerations may weigh more heavily in a decision to operate a child care center than they would for dining services, while human resources considerations may play a more important role in selecting the operating method for a rural campus than an urban one.

Identifying, researching, and assessing the impact of these diverse factors is the central focus of the decision process outlined here and in the guide *Contract Management or Self-Operation* (CHEMA, 1993). Regardless of the size, location, or affiliation of the institution, and no matter what functional area is under consideration, in order to be successful, campus decision makers need to employ a structured methodology that supports efficient and effective decision making and that can withstand the scrutiny of the many members of the campus community that are likely to have strong opinions on the topic. While no approach can be fool-proof, we believe that the process described here provides a useful vehicle for:

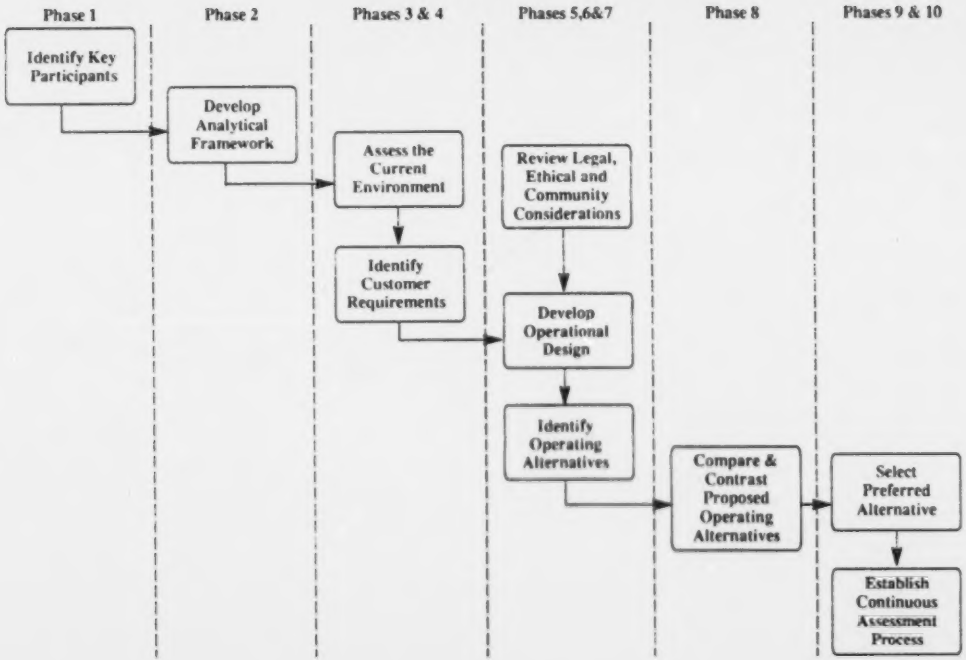
- Assessing the strengths and weaknesses of the current operation.
- Building consensus through the decision process.

- Identifying the operating alternatives available to the institution.
- Choosing an operating approach that maximizes benefits and minimizes disruptions.

As presented in Figure 1, the decision process is composed of ten phases. The objective of each phase is described briefly in the text below.

1. *Identify Key Participants.* To assemble a multidisciplinary team of individuals from around the institution to perform the analysis of alternative operating models, participate in the selection of the preferred alternative, and lead the effort to build a consensus for the chosen alternative.
2. *Develop Analytical Framework.* To develop a framework within which each solution alternative will be assessed to provide a structure for evaluating each option and to ensure that the ultimate decision will withstand close scrutiny.
3. *Assess the Current Environment.* To perform an objective assessment of the strengths and weaknesses of the current functional area and relevant institutional attributes, including strength of its management and operating systems, the condition of its infrastructure, and the degree to which it is meeting the needs of the institution and its customers.
4. *Identify Customer Requirements.* To understand who the functional area's customers are and what their expectations are for the breadth, depth, and quality of services to be provided.
5. *Develop Operational Design.* To issue a statement of requirements that defines the institution's expectations and needs for the operation of the functional area that can be used by vendors as well as internal management to prepare proposals for operating the functional.
6. *Identify Operating Alternatives.* To identify the range of operating alternatives available to the institution, including self-operation, contract management, or a hybrid solution, and to identify specific vendors that provide contract services in the functional area under consideration.
7. *Review Legal, Ethical, and Community Considerations.* To bring to the decision process an understanding of and sensitivity to the impact each operating alternative would have on the institution's community (both internal and

Figure 1
Structural Decision Process.



external) and to understand the levels of liability that each alternative introduces.

8. *Compare and Contrast Proposed Operating Alternatives.* To assess each proposed alternative in terms of the evaluation criteria to identify the likely trade-offs between each alternative and to understand the likely impact each alternative would have on the institutional mission and culture, human resources, finances, management control and efficiency, and service quality.
9. *Select Preferred Alternative.* To select and plan for the implementation of the alternative that best meets the needs of the institution.
10. *Establish Continuous Improvement and Assessment Process.* To put in place an ongoing process to assess the functional area's performance, to promote accountability, and to identify opportunities to continuously improve the functional area.

FUNCTIONAL DECISION PROCESS

The approach outlined above provides a framework for the self-operation/contract management decision that can be tailored to any function or service. While each functional area introduces its own unique consideration and emphases, the underlying process remains the same. Figure 2, the decision matrix, presents on a single page the considerations that characterize the decision process for the functional area under consideration. The matrix links the data collection phases of the decision process to the decision factors by pointing out the unique aspects of each functional area.

Choosing an operating approach is not limited to either contract management or self-operation. In fact, each functional area presents a number of hybrid options that combine aspects of both self-operation and contract management. The evaluation and assessment of these alternatives can be accomplished the same way as an alternative that is solely self-operation or solely contract management.

Figure 2
Decision-Making Matrix

Functional Area: Facilities

Decision Process / Decision Factor	Identify Key Participants	Develop Analytical Framework	Assess the Current Environment	Identify Customer Requirements	Develop Solution Design	Identify Solution Alternatives	Review Legal, Ethical and Community Considerations
Financial	• Facilities Audit Specialist		• Energy Cost • HVAC, Electrical & Plumbing				
Human Resources	• Labor Relations • Union Representative		• Employee Skill Sets	• Employee Training Programs • Planned Expansion of Plant			• Number of minority and/or employees from local community
Mission & Culture				• Balance between quality and cost			
Management Control & Efficiency			• Skill of Current Director		• Preventive Maintenance Programs • Performance Measures	• Hybrid-Contract for Director only or just one aspect of operation, e.g., custodial	
Service Quality		• Work Order Turnaround Time • Frequency of Repeated Repairs	• Current Relationship of Department to Campus				
Legal & Ethical Considerations			• Do current contractual obligations preclude the use of a vendor?				• Who will be financially liable for injuries or property damage

EPILOGUE

To contract or not to contract, that is *not* the question. The starting point of the decision process is not to determine whether it would be better to self-operate or to contract, but to select the best operating and management approach from the array of appropriate alternatives. Focusing first on understanding how the functional area is currently operated—its strengths, weaknesses, challenges, and opportunities, and the met and unmet needs of its customers—enables the institution to make a more informed choice than if the primary focus is on predicting the impact of contract management or self-operation at the outset of the process.

A prominent governor has said that government's responsibility is not to provide service to its citizens, but rather to see that needed services are provided. The same can be said of a college or university. Management needs the flexibility to employ whatever operational approach best offers cost-efficient, high quality service in a manner that is consistent with the institution's strategy, mission, and culture. However, in considering contract management, institutions must keep in mind that only the provision of a service can be contracted for, not the responsibility for it. In the eyes of the customer, the ultimate accountability will always rest with the institution.

The Make-or-Buy Decision: The Organization of U.S. Campus Plant Operations

Malcolm Getz
Jon M. Gullette
Diane E. Kilpatrick
John J. Siegfried

In recent years, growing financial pressure on institutions of higher education has provoked a number of initiatives to cut costs. Among possible strategies is the perennial option either to self-operate auxiliary operations or to contract them out to an ever-growing number of private vendors. While financial exigency should not be the impetus to cost cutting (if cost cuts are possible while preserving the level of service, why are they not also desirable during prosperous financial periods?), the immediate pressure such a situation exerts on institutional management to make some sort of change often leads to a reevaluation of the make-or-buy decision for auxiliary services.

The contracting of auxiliary services has a long history in the area of facilities, particularly for specialized skills and new construction or renovation. Conceivably, colleges and universities that are now considering changing the way in which they provide other auxiliary services can learn from the experience in plant operations.

An institution's characteristics may affect whether a particular auxiliary or business service is self-operated or contracted, because the cost-effectiveness of self-operation versus contracting may vary systematically as dimensions of the institution change. These characteristics may include size (enrollment), location (urban, suburban, rural), control (public,

private), geographic region, and the institution's mission. The latter is reflected by the institution type (e.g., research, doctoral, comprehensive, liberal arts, two-year). How each characteristic affects the probability that an institution will self-operate or contract a service may depend on the particular service. For example, private, high-tuition colleges may be more inclined to self-operate those services with which students come into direct contact, such as dining and bookstores, in order to retain sufficient flexibility to incorporate nuances in service provision into their marketing effort.

By analyzing responses to a survey about the provision of college and university auxiliary services, we determined what arrangements institutions use to provide specific services and what institutional characteristics, if any, are related to those arrangements. We cannot determine the rationale for the decision to "make or buy." Instead, we simply describe what is actually being done. Of particular interest is the relationship between institutional characteristics and the decision to make or buy various services that are central to plant operations. For example, are larger universities located in rural areas more likely to self-operate than to contract for electrical or for heating and air conditioning services?

Our investigation is based on a sample of 591 colleges and universities that responded to a spring 1991 survey about the organization and administration of their auxiliary services. These 591 respondents constitute slightly more than 25 percent of the approximately 2,200 members of the National Association of College and University Business Officers (NACUBO), each of whom received a request to complete the questionnaire. Of the 591 respondents, 539 were included among 2,045 colleges and universities that formed the basis of a comprehensive study of the cost of higher education (see Part III of Charles Clotfelter, Ronald Ehrenberg, Malcolm Getz, and John Siegfried, *Economic Challenges in Higher Education*, University of Chicago Press, 1991.) Data on institutional characteristics are all from that study and were derived similarly for the fifty-two respondents to the NACUBO survey who were not included among the 2,045 institutions in the cost of higher education analysis. All of these data originate from various years of the U.S. Department of Education's Integrated Post-

Carnegie Classification	Number of Institutions in Sample	Percentage Distribution	
		Percentage of Institutions in Sample	Percentage of Institutions in Total*
Research University	54	9.1	3.8
Doctoral University	45	7.6	4.0
Comprehensive University	178	30.1	21.7
Liberal Arts I	49	8.3	5.2
Liberal Arts II	102	17.3	15.7
Two-Year College	163	27.6	49.8
Total	591	100.0	100.0

*There were 2,747 two-year and four-year colleges and universities in the U.S. in 1987, according to the Carnegie Foundation for Higher Education. In addition, there were 642 specialized institutions that did not offer undergraduate degrees. The latter are excluded from our sample and from the distribution reported here.

TABLE 1
Distribution of Sample Institutions by Carnegie Classification.

Secondary Educational Data Survey, or from the College Board's annual data tape describing colleges and universities.

The sample of 591 institutions is divided into 320 (54 percent) publicly controlled and 271 (46 percent) privately controlled colleges and universities. As private institutions constitute only 41 percent of all colleges and universities offering undergraduate degrees, our sample modestly overrepresents private institutions. The distribution by type of institution is delineated by Carnegie classification in Table 1.

Clearly, our sample focuses more on four-year than on two-year institutions. Within the four-year colleges and universities, major research universities are most overrepresented. Because our concern is primarily four-year institutions, the underrepresentation of two-year colleges does not hinder our analysis or interpretation of the data. Furthermore, because of the vast number of two-year colleges, our sample includes more of them than any other category except comprehensive universities.

Service	Frequency and Percentage Distribution			
	Business/ Finance	Student Services	Other	Number Reporting
Plant Operations	504 (86.0%)	3 (0.5%)	79 (13.5%)	586
Classroom Housekeeping	495 (84.8)	4 (0.7)	85 (14.6)	584
Dormitory Housekeeping	307 (65.4)	111 (23.7)	51 (10.9)	469*
Classroom Grounds	499 (84.9)	3 (0.5)	86 (14.6)	588
Dormitory Grounds	394 (79.9)	36 (7.3)	63 (12.8	493*

*76 institutions in our sample of 591, all two-year colleges, do not offer on-campus residence facilities.

TABLE 2
Administrative Responsibility for Plant Operations and Related Services: 1991.

The purpose of this report is to examine the way physical plant services are administered and provided at American colleges and universities. In particular, we identify the administrative area responsible for plant services, the frequency of collective-bargaining agreements covering various facilities' employees, and the propensity to self-operate various plant operations services.

RESPONSIBILITY FOR SERVICE

The administrative location of the facilities management department is reported in Table 2. The majority, 86 percent of reporting institutions, indicate that the facilities management department is assigned to the business/financial arm of the organization. Classroom housekeeping and grounds maintenance have reporting lines similar to those of plant operations. The only significant deviation from this pattern of about 85 percent reporting to business/finance, is dormitory housekeeping, for which 24 percent report to student services, and dormitory grounds, for which 7 percent report to student services. This result is somewhat surprising, because the predominant perception among plant administrators seems to

	Percentage Distribution		
Service	Service Covered	Service Not Covered	Total Reporting Coverage
Housekeeping	24.5%	75.5%	547
Grounds	27.1	72.9	576
Plumbing	27.7	72.3	553
Carpentry	27.6	72.4	557
Electrical	27.8	72.2	553
HVAC	27.9	72.1	551

TABLE 3
Rank-and-File Employees' Collective Bargaining Coverage: 1991.

be that student services (e.g., housing) has much more direct control of its own plant-related services than is indicated by the survey data. The data suggest that most facilities services are provided by an institution-wide facilities management department that reports to the business/financial division of the institution.

COLLECTIVE BARGAINING

Collective bargaining coverage of rank-and-file plant operations employees is reported in Table 3. Overall, about 28 percent of the institutions reported that their physical plant shops are covered by a collective bargaining agreement. The only exception is housekeeping employees, who tend to be unionized slightly less frequently (24.5 percent) than other physical plant shops. Public institutions reported collective bargaining agreements three times more frequently than their private counterparts. Sorting the collective bargaining agreements data by region indicates that collective bargaining agreements are more common in the East and Midwest. The Pacific region also has frequent unionization of plant operation's employees. Fewer than 15 percent of the institutions in the Central and Mountain states and the Southeast are unionized.

The data suggest that the larger the institution, the greater the chance that a collective bargaining agreement will be in place. Approximately 65 percent of institutions with student

enrollment in excess of 20,000 reported collective bargaining agreements covering physical plant employees, while only 8 percent of institutions with enrollment of fewer than 1,000 indicated unionized departments.

It appears that the overall probability that whether an institution's physical plant department has a union organization is influenced by three factors: whether the school is public or private, its enrollment, and the region of the country in which it is located. For example, a public institution with student enrollment above 20,000 and located in the northeast region of the country has a 60 to 65 percent probability that the facilities management department will be covered by a collective bargaining agreement. In contrast, a private institution in the southeast with fewer than 3,000 students has only about a 15 percent chance of being unionized.

SELF-OPERATION VS. CONTRACTING

The decision to self-operate or contract out facilities services is an important one. Neither strategy is necessarily cost effective in all situations. The advantages of self-operation include the reduction or elimination of some transaction costs, such as identifying, negotiating, writing, monitoring, metering, and enforcing contracts. Self-operation also eliminates the need for purchasing agents and attorney review of contracts. In addition, self-operation permits a degree of flexibility and control that cannot be attained if services are contracted, because contract specifications cannot hope to anticipate all eventual contingencies.

Contracting, on the other hand, allows smaller institutions to enjoy some of the cost advantages that may be offered by potential economies of scale that can be exploited by large vendors and specialization of labor. Specialist vendors are also more likely to be aware of improved production methods discovered and adopted elsewhere. Contracting also frees the management of colleges and universities to focus attention on their central mission, which is neither plumbing repair nor grounds maintenance.

A mixture of self-operation and contracting may be the most efficient way to provide facilities services, particularly those subject to demand fluctuations. An institution might self-op-

erate a basic level of service provision, and contract out the provision of peak demand services and/or services that require specialized skills or equipment. In this way, an institution can ensure against costly interruptions in services while avoiding the cost of extra plant operations workers whose services or skills are needed only occasionally.

The distribution of college and university plant services between self-operation and contracting is reported in Table 4. Most housekeeping and grounds maintenance is completely self-operated. Skilled crafts are exclusively self-operated on 33 to 48 percent of the campuses surveyed. More commonly (one-half to two-thirds of the time), skilled crafts are divided between partial self-operation and some contracting to external vendors. Very few institutions rely exclusively on contractors to provide their plumbing, carpentry, electrical, or heating and air conditioning services.

There appears to be a tendency for lower skilled work groups (i.e., housekeeping and grounds maintenance) to be self-operated more frequently than the more highly skilled craft work.

	Percentage Distribution			
	Solely Self-Operated	Solely Contracted	Mixed Self-Op./ Contracted	Number of Reporting Institutions
Classroom Housekeeping	82.4%	11.3%	6.3%	578
Dormitory Housekeeping	82.5	12.5	5.0	456
General Grounds	89.9	4.1	5.9	587
Dormitory Grounds	90.2	5.1	4.7	470
Plumbing	42.0	2.8	55.2	578
Carpentry	47.8	2.6	49.6	578
Electrical	38.2	3.3	58.4	578
Heating & A/C	32.7	4.8	62.5	578

TABLE 4
Distribution of Self-Operated and Contracted College and University Physical Plant Services: 1991.

Under most circumstances, plant administrators who face make-or-buy decisions tend to contract with private vendors for highly technical, skilled craft work—such as heating, ventilating, and air conditioning work—and self-operate the housekeeping and grounds areas. Institutions tend to contract outside for a higher percentage of technically demanding work because there is insufficient demand to keep such highly skilled (and expensive) technicians steadily occupied in productive assignments. For example, most in-house staffs do not have the time or technical expertise to overhaul large centrifugal chillers. The plant administrator who decides to overhaul the chiller using in-house staff may experience a shortage of shop personnel able to respond to an emerging backlog of routine and emergency heating, ventilating, and air conditioning maintenance calls while the overhaul is in progress. If additional staff are acquired to do the overhaul, they may find themselves under-employed when the project is completed.

Those institutions that use a mixture of self-operation and contracting to provide plant operations services are examined more closely in Table 5, which reveals that the mixed operations are primarily self-operated. Of those institutions that mix contracting with self-operation to provide groundskeeping, plumbing, carpentry, electrical, and heating and air conditioning work, more than half contract out substantially less than 30 percent of their work. Fewer than one in six institutions that mix contracting with self-operation to provide skilled craft services contract 70 percent or more of their work. Thus, when the mixed self-operation/contracting institutions are allocated on the basis of how much of their service is self-operated and how much is contracted, self-operation predominates. The results of this computation are reported in the last column of Table 5, which tells us, for example, that if all institutions were of equal size, 86 percent of the classroom housekeeping would be conducted by college or university self-operation. Self-operation ranges from a low of 74 percent, for heating and air conditioning work, to a high of 94 percent for general groundskeeping.

The fact that so many institutions mix contracting with self-operation suggests that they take some care with the make-or-buy decision, especially for skilled crafts. Assuming

Plant Service	Number Mixing Self-Operation and Contracting	By Percentage of Work Self-Operated (Institutions with Mixed Operations)					Proportion of Institutions Self-Operating (Mixed Operations Allocated)
		1-10%	11-30%	31-70%	71-90%	91-99%	
Classroom Housekeeping	37	13.5	16.2	29.7	16.2	24.3	86.0%
Dormitory Housekeeping	23	17.4	17.4	21.7	26.1	17.4	85.2
General Grounds	35	17.1	8.6	17.1	34.3	22.9	93.6
Dormitory Grounds	22	13.6	4.5	18.2	36.4	27.3	93.4
Plumbing	319	6.0	5.4	18.5	46.7	23.8	82.7
Carpentry	287	3.1	4.9	18.8	47.4	25.8	85.4
Electrical	338	6.2	6.8	24.0	45.0	18.0	79.5
Heating & A/C	361	8.3	8.6	25.5	46.0	11.6	73.7

TABLE 5
Mix of Self-Operations and Contracting for Institutions Using Both Methods of Service Provision.

that the majority of institutions are managed capably, the data suggest that a mixture of self-operation and contracting is the most effective and efficient way to provide the more highly skilled and technical plant services.

The survey data suggest that most facilities management departments provide a basic level of maintenance service that is required on-demand by the institution and contract out a large percentage of those services that require specialized skills or equipment. This arrangement does not seem to be the case, however, for housekeeping or grounds maintenance. It appears that most institutions prefer to self-operate these two functions. Many plant administrators may be unwilling to commit the time and effort necessary to write the tight specifications that are essential to manage grounds and housekeeping contracts. Service specification is often easier for more highly skilled crafts. Without a tightly written contract that addresses frequency standards and quality requirements, a plant administrator who contracts grounds maintenance and housekeeping may eventually incur higher costs due to extras not covered by the agreement. The second reason centers around control; most plant administrators prefer to have direct control of the workforce, rather than confront negotiations every time they want to change something.

The most vocal complaints from plant administrators about contracting arise from decisions to contract for grounds maintenance and housekeeping services. Plant administrators are usually more disturbed when the decision to contract either grounds maintenance or housekeeping comes from top administration and is implemented during times of financial difficulty as part of a frantic effort to reduce costs. Perhaps top administration gets more involved in the lower skilled areas such as housekeeping and grounds because the risk of a high-cost mistake is minimal (and perhaps because many individuals presume to understand what is required to sweep a floor or mow a lawn). Most top administrators who have responsibility for plant services are more reluctant to interfere in decisions affecting highly technical areas, such as heating and air conditioning, because the stakes are elevated and they profess less personal familiarity with the function.

Plant Service	Full-Time Equivalent Enrollment				
	0-999	1,000-2,999	3,000-9,999	10,000-19,999	20,000+
Classroom Housekeeping	88.3%	84.2%	83.9%	89.0%	97.6%
Dormitory Housekeeping	88.1	81.8	83.7	87.1	100.0
General Grounds	90.2	94.5	94.7	94.1	98.8
Dormitory Grounds	90.4	94.2	94.1	93.5	100.0
Plumbing	74.0	81.0	89.1	89.4	90.5
Carpentrty	80.0	84.8	88.8	90.2	89.8
Electrical	66.7	79.6	86.2	87.7	90.5
Heating & A/C	56.2	72.2	83.8	87.1	91.9

TABLE 6
Percentage of College and University Plant Services that are Self-Operated, by Institutional Enrollment.

The extent to which the self-operation of plant services varies with the type of institution, region of the country, enrollment size, institutional control, and campus location (urban, suburban, rural) is reported in Tables 6 through 10. In each of these tables, the proportion of plant services that is self-operated at those institutions that mix self-operation and contracting is allocated to self-operation. Thus, the reported percentages reflect that share of the total activity that would be self-operated if each sample institution were the same size.

There is no evidence of any difference between larger and smaller institutions in the propensity to self-operate housekeeping and grounds maintenance services. For the skilled crafts, however, smaller colleges tend to do more contracting. (Enrollment size here is based on an institution's average full-time enrollment, plus one-third part-time enrollment, for academic years 1978-79, 1983-84, 1985-86, and 1987-89.)

Although not apparent from Table 6, there is also a tendency for the mega-universities, those with 20,000 or more full-time-equivalent students, to contract out plumbing, carpentry, and electrical (but not heating and air conditioning) services more frequently. This conclusion is based on a statistical analysis that allows us to evaluate the net relationship between the propensity to self-operate plant services and each of the characteristics delineated in Tables 6 through 10, holding the level of the other characteristics fixed. This statistical technique, called multiple linear regression analysis, allows one to examine the relationship between two factors—for example, the propensity to self-operate and institutional enrollment—in a framework in which all of the other institutional characteristics (e.g., mission, control, region, location) of schools in the sample can be considered to be the same. This method allows one, for example, to determine whether institutional size, public control, rural location, research mission, or location in the Pacific region is the factor that really indicates whether a university is more likely to self-operate its plumbing services.

Table 7 suggests that research universities more commonly self-operate plant services, while two-year colleges more frequently contract them out. It turns out, however, that the only meaningful difference among types of institutions in terms of the self-operation of plant services once other institutional

Plant Service	Type of Institution					
	Research	Doctoral	Comprehensive	Liberal Arts I	Liberal Arts II	Two-Year
Classroom Housekeeping	90.8%	90.8%	83.7%	91.5%	86.0%	83.9%
Dormitory Housekeeping	86.5	92.2	81.3	91.5	87.8	80.1
General Grounds	96.0	91.4	95.9	91.5	92.3	92.5
Dormitory Grounds	96.5	91.0	95.0	95.2	92.1	88.8
Plumbing	93.7	90.9	85.4	82.1	78.0	76.4
Carpentry	93.1	90.0	87.3	86.3	83.7	80.3
Electrical	93.3	88.2	84.0	78.9	72.7	71.9
Heating & A/C	92.6	87.3	79.3	77.2	62.1	63.4

TABLE 7
Percentage of College and University Plant Services that are Self-Operated, by Carnegie Classification.

characteristics are held constant with linear regression analysis is, surprisingly, liberal arts specialization. Both Liberal Arts I (more selective) and Liberal Arts II (less selective) colleges tend to self-operate plant services more frequently than other types of institutions of similar size, region, control, and location. Many liberal arts colleges have religious affiliations and may develop a strong tradition of loyalty, which is more forcefully expressed through life-time employment than external contracting. An alternative explanation for the preference of liberal arts colleges toward self-operation is that these institutions tend to market a total package of experiences, extending from dormitories and dining halls to classrooms and intramural fields, combined into "the liberal arts experience." They may find it easier to integrate employees than private vendors into such a culture.

There are no apparent differences in the self-operation/contracting mix of plant services across regions of the country. This conclusion is confirmed by the statistical analysis that holds other characteristics constant. This suggests that climate, collective bargaining, and the rate of growth of the local economy, all of which vary regionally, have little to do with a university's make-or-buy choice.

Public universities are more likely to self-operate each of the plant services. The patterns that are evident from an inspection of Table 9 are reinforced by the statistical analysis, which indicates, especially for housekeeping services and grounds maintenance, a tendency of private universities to contract more frequently. One possible reason for public institutions to be reluctant to contract is the combination of state rules and regulations complicating the contract negotiation process. For example, public institutions may be required to accept the lowest-bid regardless of expected service levels. Or, public universities may be subject to state laws concerning contracting.

Out of 319 reporting public institutions, three said they are subject to laws mandating contracting, while five reported that they are prohibited from contracting. None of the 270 reporting private schools is subject to such constraints. Clearly, laws are not the reasons public institutions rely on private vendors less frequently. Many more institutions reported informal pressure

Plant Service	Region					
	Eastern	Central	Midwest	Southeast	Mountain	Pacific
Classroom Housekeeping	79.3%	87.3%	89.4%	85.1%	92.9%	92.3%
Dormitory Housekeeping	76.8	89.0	91.1	81.9	90.7	93.3
General Grounds	90.0	94.3	97.9	90.9	95.5	100.0
Dormitory Grounds	89.9	94.9	98.4	89.5	95.5	100.0
Plumbing	80.2	87.4	79.0	82.2	82.6	91.8
Carpentry	84.0	89.8	84.8	83.4	85.7	89.0
Electrical	78.9	81.8	75.6	79.4	80.4	86.8
Heating & A/C	70.0	78.6	70.0	73.0	76.2	81.9

TABLE 8
Percentage of College and University Plant Services that are Self-Operated, by Region.

to contract. Sixteen percent of public institutions and 4 percent of private college administrators feel informal pressure to contract. This is ironic in view of the tendency of public institutions to self-operate more frequently. It may be just in those circumstances, however, that private vendors are motivated to stir up pressure for schools to contract. Institutions that are already contracting may feel little pressure because they offer no resistance.

Consistent with intuition, colleges located in rural areas appear to be more self-sufficient, relying less heavily on contractors for plant services. This may be a response to necessity or the prospect of a single private vendor being sufficiently isolated to allow the exploitation of local market power. The statistical analysis reveals that this is especially true for housekeeping, plumbing, and electrical services, once other institutional characteristics are held constant.

In general, the statistical evidence suggests that plant services are more likely to be self-operated by public universities that have enrollment between 1,000 and 20,000 full-time-equivalent (FTE) students located in rural areas (which would include many flagship state universities), and by liberal arts colleges located in rural areas with enrollment between 1,000

	Control	
Plant Service	**Public**	**Private**
Classroom Housekeeping	89.3%	82.2%
Dormitory Housekeeping	87.5	83.4
General Grounds	96.4	90.4
Dormitory Grounds	96.6	90.8
Plumbing	86.0	78.7
Carpentry	86.9	83.6
Electrical	83.2	75.1
Heating & A/C	78.7	67.7

TABLE 9
Percentage of College and University Plant Services that are Self-Operated, by Institutional Control.

Plant Service	Location		
	Urban	Suburban	Rural
Classroom Housekeeping	82.7%	82.3%	92.9%
Dormitory Housekeeping	84.8	79.1	92.4
General Grounds	94.4	92.3	94.7
Dormitory Grounds	95.0	90.6	95.6
Plumbing	81.3	81.2	85.5
Carpentry	84.4	84.8	86.9
Electrical	76.9	79.2	81.8
Heating & A/C	76.2	73.1	72.6

TABLE 10
Percentage of College and University Plant Services that are Self-Operated, by Campus Location.

and 3,000 FTE students. Liberal arts colleges are almost all private, and few enroll more than 3,000 students. They seem inclined to self-operate their plant services in spite of a general tendency of privately controlled institutions to contract more frequently.

CONCLUSION

As the rate of increase in tuition and cost continues to draw national attention, plant administrators will be forced to examine alternative and creative ways to hold down costs. The question being asked on many campuses today is: What are the alternatives and how is the decision made to self-operate or contract plant-related services? One way to help slow the ever-increasing cost of providing plant-related services is for administrators to take a much closer and more informed look at the trade-off between self-operation and contracting for services.

APPENDICES

Sources Of Unions

The greater tendency toward unionization at larger institutions leads us to consider why such a pattern exists. The answer may involve complex issues, including how first-line supervisors interact with front-line employees, the level of wages and fringe benefits, the degree of employee involvement in decision-making, management's concern for employee safety and working conditions, and worker alienation. Of these issues, first-line supervision seems to be most critical.

If the first-line supervisor's behavior toward employees is disrespectful and subjugating, the inevitable result is employee apprehension toward management. Employee distrust and consequent behavior, in turn, exacerbates and reinforces management's lack of respect for employees. The inevitable result is an adversarial relationship that can lead employees to seek, or at least be receptive to, union representation. Unionization under such circumstances can be especially disruptive. To help prevent such a climate, management should not allow first-line supervisors to subjugate employees and then to expect superior performance and quality service in return. It is unwise to expect employees to "check their brains" as they enter the workplace. Employee involvement in the work process (thinking and doing) can lead to total commitment to the services offered by the organization. Involved and engaged employees don't have time, incentive, or need to organize a collective bargaining unit. Larger organizations where top management may be more distant from first-line supervision might consider special efforts to engage front-line employees and their immediate supervisors in rethinking roles and work processes.

Pointers on Contracting

The institution that lets contracts can improve its situation by managing its contracting process carefully. The costs of contracts will be most attractive when several capable firms bid on each contract. Therefore, the institution can improve the terms of its contracts over time if it designs its contract process in such a way as to sustain several contractors. The highest cost circumstance may be when an institution has a

long-term, open-ended contract with a single vendor who acts like a monopoly. Managing contracts so as to sustain competition holds prospect of yielding costs that are consistently below self-operation.

To sustain competition among capable vendors, the bids might be let for several smaller jobs, rather than letting a single contract for all the institution's needs in a given category. The length of contracts might be kept relatively short so that a contractor who loses one bid does not have to wait too long for the next contract. Indeed, contracts might be staggered so that not all contracts are renewed on the same date. For example, contracts might be let for eighteen month periods with one third of the contracts rebid every six months. The institution might adopt a policy of not awarding all of its contracts to a single contractor so as to help avoid the monopolization of the business. Finally, the institution might continue to self-operate some portion of the business so as to maintain current information about costs. If bids look surprisingly high in a given cycle, an institution might consider expanding the extent of its self-operation. The threat of more self-operation may discourage vendors from colluding on their bids.

Monitoring performance is also an essential part of contracting out. Although vendors face termination of a contract for nonperformance, the extreme nature of termination makes it a poor method for assuring quality performance. Few institutions are willing to incur the legal hassles or to risk possible lapses in service that might result from termination of a contract for cause. Therefore, the threat of termination is seldom a credible device to effect improved performance. Better, then, to provide in the contract for performance bonuses for extra quality and timeliness of work, and financial penalties for poor performance. Agreed upon measures of performance consistently applied can then lead to sustained improvement in performance.

Pointers on Self-Operation

There are essentially three elements of effective self-operation: skill and staffing levels, the values in the work culture, and performance measurement to support continuous improvement.

The foundation of successful facilities management departments in meeting the basic needs of the institution is the number and skill levels of the staff. The need for certain repetitive tasks, such as groundskeeping, routine maintenance, and housekeeping can be accurately projected on an annual basis.

In contrast, the need for skilled trades may be more difficult to forecast. Forecasts should be based on detailed knowledge of the scope of the facilities to be maintained. Capital projects, special events, and departmental work may contribute to occasional peaks in demand for staff. Wise facilities managers will employ full-time staff to meet basic maintenance needs and use overtime and contractors prudently to meet peak demands.

The achievement of the staff will depend critically on the work culture values shared between supervisors and front line employees. An emphasis on customer service, employee involvement, and accountability will enhance productivity. Top leadership's efforts to instill pride in the institution and to build teamwork across the organization should create a responsive and capable service with high morale.

To keep the organization focused on the institution's goals, facilities management departments should seek to measure their own performance on an ongoing basis and to use the results of such measures to sustain improvements. Without performance measurement, facilities management departments can become complacent, outdated, and committed to activities of lesser importance. By seeking customer comment on service, facilities managers can establish goals that are likely to have significant benefit to the institution at large. Given the chance, the physical plant customer will provide ideas and suggestions for areas needing improvement. At first, the comments may be highly critical, even hostile; however, in time, as customers see that their comments affect performance, they are likely to become supporters of the goals of the facilities managers and share in the responsibility for improving the performance of the facilities management department.

A Practical Approach to Contracting for Services

Edward C. Bogard

Contracting for services has been used extensively in private enterprise for many years. Its wide acceptance and use by our nation's colleges and universities has spread aggressively in the past fifteen years. In the face of reduced budgets and an ever-increasing demand for more service at lower cost, contracting for a variety of services may be an economical alternative to facilities organizations.

Although there is theoretically no limit to the facilities services that could be contracted, there are some practical considerations that must be evaluated to determine if contracting is the best solution. The alternatives must be carefully evaluated to determine their impact on budgets. For periodic functions like elevator maintenance, is it more cost effective to hire and train permanent staff or to hire an elevator service company to provide the service? Some smaller institutions that are located outside metropolitan centers may find it difficult to obtain a particular service. In this event, it may be beneficial to join forces with private enterprises in nearby communities to expand the service base.

In some instances there may be a perception—or the reality—that contracting for service will displace existing employees. In a case where workers would be replaced, careful planning must be instituted very early and should include other departments, from human resources up to and including the president or chancellor of the institution. In many cases, contracting for service will provide a means of obtaining a service in support of existing expertise. Even in this case it is important that employees see a benefit for themselves.

Due to the public nature of all academic institutions, many times there are public inquires about the cost of providing a service with in-house personnel. In these cases it may be best to compare the cost of providing the "same" level of service with an outside contractor. This comparison can take the form of either a friendly quote or a full comparison with formal bid documents. The larger the pool of contractors offering a specific service, the more intense will be the request for comparison. The more careful the study, the more dependable will be the results.

The method of contracting is an important consideration when evaluating potential contractors because of distinct differences between public and private institutions, availability of service contractors, institutional rules and regulations, and the priority of the intended service. The contract form will depend to a large extent on the legal requirements of the specific institution. This chapter will offer some basic guidelines that will be helpful for developing a standard contracting strategy to use, if there are no specific institutional guidelines. Perhaps the most sage advice that can be given regarding contracting is the following verse:

> If you're going to write at all,
> then you need to write it all.

An analysis of contracting for service is one means to reinforce either the need for change or the use of in-house employees to perform a service. An investigation into the contracting alternative must begin with an analysis of why and when a service should be considered to assure the most advantageous outcome.

PROS AND CONS OF CONTRACTING

There are a variety of reasons for contracting services, including the need for expertise as well as economic considerations, which make this alternative desirable for both the facilities organization and the institution. The following is a list of the most common reasons for contracting.

- To obtain specialized services, the provision of which would be unfeasible with in-house staff.

- To obtain infrequently used services for which it would be unfeasible to maintain an in-house staff.
- To obtain greater economy and efficiency in providing the service.
- To meet peak workload requirements.
- To obtain a specialized skill when there is no permanent funding for the position available in-house.
- To provide a lower cost for service than would be available with in-house personnel.
- To obtain the management resources of a large organization that cannot be assembled at the level of an individual institution.

Although there are identifiable advantages to contracting, there are also some disadvantages that must be considered. Some of the more common ones are as follows:

- Contract employees may not have the loyalty or dedication to the institution of full-time permanent employees.
- Contractors and contract employees may often prove less responsive to special needs or changed requirements of the institution than its own staff.
- Profit-motivated contractors will typically provide only the minimum level of service required to satisfy contract requirements.
- Contractors may not be able to provide consistent levels of supervision required for continuity of service.
- Periodic changes in contractors as contracts are renewed results in a lack of continuity of services and poor services during the start-up period for a new contract.
- Disputes over performance evaluations based upon poor specifications.

SERVICES THAT CAN BE CONTRACTED

There are four general categories of facilities services that are most often provided on a temporary or permanent basis. These services can be provided exclusively by contract or they may be used to supplement the permanent work force.

1. Professional and Consulting Services.
   - Planning and design services.
   - Architectural and engineering consulting services.

- Project management.
- Professional studies and investigations.
- Development of management and operating procedures.

2. Construction and Related Services.
   - New construction.
   - Construction project management.
   - Renovation, alteration, and improvement of existing facilities.
   - Repair of existing systems.
   - Warranty work following construction.

3. Maintenance and Operation Services.
   - Facilities and equipment tests and inspections.
   - Maintenance of facilities, equipment, and grounds.
   - Operation of facilities, plants, and systems.
   - Refuse collection and disposal.
   - Campus security.
   - Collection and disposal of environmentally sensitive and controlled materials.
   - Snow removal.
   - Pest Control.
   - Transportation services.
   - Warehousing of supplies and materials.
   - Safety training and documentation.

4. Management and Supervising Services.
   - Supervision for a specific project or program.
   - Clerical support.
   - Management and supervision of the entire facilities function.
   - Training in a new or emerging technology.

Depending upon the specific configuration of the individual institution, some components may be split and only contracted in specific instances. For example, in the case of a hospital that is part of a comprehensive university campus, it may be more economical to contract the custodial services in the hospital for billing purposes and use permanent staff for the remainder of the campus.

Another example would be to hire additional carpenters from local contractors to supplement in-house carpenters during peak periods of remodeling or renovation.

GETTING STARTED

Once the decision has been made to contract a specific service, it is necessary to begin gathering information and developing a comprehensive set of contract documents. The amount of time spent on these two components of the process will pay dividends for the life of the contract. Poor or incomplete information and inadequate contract documents will result in poor contractor performance and increased costs.

Gathering Information

To begin the process, individuals with first-hand information or experience should be asked to serve on the team for data gathering. The size of the team will depend upon the particular service, its scope or extent, and the size of the institution.

The team leader should be someone who understands the overall functions of the service under consideration and who can make a fair and impartial evaluation of options selected. The leader should also be able to foster and promote group dynamics, prioritize options, and assign responsibilities. All team members should be knowledgeable of the service, know its component parts individually or collectively, represent its customers, and be willing to spend the time necessary to gather the information, review the data, and make appropriate recommendations.

The size of the team will vary widely depending upon the complexity of the service under investigation. For instance, in the case of selecting an outside consultant to provide project management for a specific job, the team may be informal and consist of only two or three people in the department. On the other hand, the selection of an outside firm to provide custodial services may require a team of eight to ten members.

At this point I would like to comment on using the term "team" instead of committee. It is important to recognize that *team* implies that each member has an assignment or responsibility, and is expected to be prepared to contribute at each meeting of the team. A committee, on the other hand, is

generally formed to evaluate information presented by the leader.

A typical team for providing mechanical maintenance at a campus that does not have a formal in-house shop to provide the service might look like the following:

Team Leader [1] Department Director				
Member [2]	Member [3]	Member [4]	Member [5]	Member [6]
Purchasing	Faculty	Heating Plant Operator	Outside Mech. Eng.	Budget Officer

The team must have clear direction as to their specific responsibilities and have on hand or have access to all the information it will need to make an informed decision. Early in the process, a complete flow diagram should be developed showing existing maintenance activity and every step that is taken when maintenance is rendered. If the flow diagram is accurate, many times weaknesses and strengths can be identified that will materially affect the outcome. The flow diagram should be developed by those involved in the process as it presently exists.

There are five major steps to establishing a contract for facilities services:

1. *Definition of Requirements.* This first step in a contractual procurement process requires determining the nature of the required contractual service and describing it in a way that will establish a clear contractual requirement.
2. *Obtaining Contractor Offers.* Once the service to be procured by contract is defined, offers will be solicited from the available contractors pool in a manner that will permit a fair and equitable evaluation of all proposals.
3. *Evaluating Proposals.* After the offers have been received they must be compared with the bidding documents to determine the lowest responsive bidder.
4. *Selecting a Contractor.* After the lowest responsive bidder has been identified, the institution must attempt to enter into a contractual agreement to meet the conditions of the bidding documents.

5. *Establishing the Contract.* Once an agreement has been reached with the successful contractor, a binding contractual agreement must be formed.

Defining the Requirements

Time spent in developing a clear and comprehensive definition of the specific services that are required will result in lower cost, better performance, and a satisfied customer. Describe the conditions of the service in terms and standards that can be clearly measured or repeated so that both sides can agree. This is done by developing a specification that clearly defines

- What is wanted.
- The extent of the services (quantity, where, when).
- Special conditions.
- Standards of quality or performance.

It is important that requirements be well defined. Good standard specifications and contracts already have been developed for almost every type of contractual procurement. Many trade associations, professional societies, and government agencies have developed standard specifications that can be used or referenced. Other institutions that have already contracted for similar services might be willing to share their specifications. Networking can often provide contacts at institutions with previous experience or a list of potential suppliers. Be cautious about using specifications or contract forms developed by contractors or suppliers. They are usually intended to protect the contractor.

The bidding documents will begin with a set of general conditions that contain the institution's standard rules and regulations for contracting. Next will come the supplemental conditions that describe conditions related to the project, such as "no radios are allowed to be played in the work areas, park only in authorized areas, use specific elevators," etc. These conditions have an impact on the nontechnical conditions surrounding performance of the contract and behavior of the contractor's employees. The final sections are termed the technical conditions and are intended to describe the technical aspects of the contracted services. These must be comprehensive and in sufficient detail to describe every aspect of the service.

It is surprising how few organizations actually read the general and supplemental conditions. The result can be disastrous for both parties, so it may be wise to refer in the technical sections to requirements in the other two sections or to hold a pre-bid meeting and require attendance as a condition of submitting a bid. Specifics in the bid documents can be covered at the pre-bid conference.

Obtaining Contractor Offers

The specific contract form will depend greatly upon the type of service being requested. Of equal importance will be the amount of risk or liability that the contractor is being asked to assume in the contract documents. The more risk the contractor assumes, the more contingency they will need to include in the price. For example, if the extent of the area in a custodial contract is not clearly defined, it would be difficult for the bidders to determine a fair and reasonable price with a lump sum bid. Under these conditions, a unit price contract would be much better for both parties. The type of contract form will depend on the type of service and the institution's ability to define the elements that constitute the basis of the contract.

Lump Sum Bids

In this form, typically used for construction contracts or contracts where all of units are precisely identified, the contractor submits a lump sum offer for the performance of the required services. The contractor may be required to list prices for individual components of the bid or alternatives, but the basic concept is that the contractor offers to do the required work for a fixed price. In this case, the owner assumes the responsibility that the contract documents are correct and the contractor assumes that the means and methods offered meet the conditions of the contract documents. This type of offer is generally submitted as a sealed bid that is received and opened under formal, established bid opening procedures.

Unit Price Bids

For repetitive services where the actual quantity required may not be clearly defined, bids may be requested on a unit price basis with a separate unit price for any number of

separate, definable, and measurable units of service. To arrive at a basis for award, the bidding documents would list a base number of units for each pricing category. This allows the contractor an opportunity to allocate both fixed and operating costs equitably. To reduce the potential of unbalanced bids, a deduct unit price may also be requested if the units fall below the base number. A bid would be awarded on the basis of a total price proposed by extending the base units at the proposed unit prices.

In this type of bid, the owner assumes a great deal of the risk since the institution is responsible for the accuracy of the units. For this reason it is important that the number of units be as accurate as possible to get a fair price from the contractor. If the units are not accurate, it is possible to "unbalance" the unit price bid for items of work where the estimated quantity may be understated.

This type of contract is used extensively for facilities services that are based on hourly performance, such as secretarial, architectural and engineering design, maintenance labor, custodial, and refuse removal. One element that must be considered in hourly rate pricing is the issue of production during the hours of performance. Some standard measure may need to be identified.

Time and Material Contracts

This form of contracting is a variation of the unit price form. The basis for the "time and material" contract is the cost of labor expended by the contractor and the actual materials used in performing the contract. The contractor's labor rate is the actual rate paid to the worker plus any mark-up to cover taxes, insurance, training, overhead, and profit. This rate may vary with each category of labor, from the worker to the supervisor. The cost of the material will generally be the "invoice" cost to the contractor plus a mark-up to cover overhead and profit. In some cases it may be advantageous for the owner to provide the material if materials are already stocked in the institution's warehouse, or if the institution is trying to encourage small business participation. It is important to establish all categories of labor ahead of time to prevent the need to evaluate such

things as "shop labor" or "travel time" and so forth after the start of the contract.

Cost-Plus Contract

This contract form is used extensively for the performance of unspecified maintenance, repairs, and renovations, or to correct work not identified in the contract documents for a lump-sum bid. This contracting method is sometimes referred to as a cost-plus contract, because it allows the contractor to recover all job related costs plus overhead and profit. There must be a means for validating the number of hours expended by the contractor and the units of material used in the work. This type of contracting shifts most of the risk to the facility owner.

A variation of this form allows the contractor to share in the risk or uncertainty of a project. It is referred to as a "cost-plus contract with a guaranteed maximum." In this form, the contractor is paid the agreed-upon unit prices for all work up to the agreed-upon maximum amount. If the work is not completed on schedule, the contractor is obligated to complete the project without further expense to the institution. By capping the price, this contract encourages the contractor to work productively.

Proposals

Although it is desirable to consider a number of variables in determining the best offer for the performance of work, proposals should be requested that include sufficient information for the institution to adequately evaluate them. Information should include the following:

- The qualifications and experiences of the contractor and of the key contractor staff who will perform the required work.
- A description of the specific service offered by the contractor in response to the contract documents.
- The pricing structure should be clearly stated so that the institution knows exactly what is included and what is excluded. If additional costs are necessary to provide the specified level of service they should also be identified in the bid.

In requesting proposals, it may be helpful for the owner to establish both required and desirable terms.

- Required terms are those elements of the contract that are considered essential to the completion of the work. This will permit the maximum competition for the work.
- Desirable terms can include any provisions that the owner would like to consider. The degree of responsiveness to the desirable terms can be an important part of the evaluation process.

A typical example is found in Figure 1, a simple quotation for an hourly rate for carpenter labor.

EVALUATING PROPOSALS AND SELECTING A CONTRACTOR

Several approaches exist to ensure that the contractors offering bids are capable of performing the services specified in the contract documents.

Selected bidders list. Under this procedure, only contractors who have been identified by the institution as qualified and capable of providing the required service are invited to submit a proposal or bid.

Prequalified bidders. Under this method, all contractors from the available pool are required to submit information concerning their qualifications, experience, resources, financial capacity, and so forth. Using evaluation criteria developed prior to soliciting information from bidders, the owner invites only those contractors meeting the criteria to bid or to submit proposals.

Depending on the type of service being requested, the complexity of the project, and the value of the contract, it may be in the best interest of the institution to request that a bid bond be submitted at the time bids are received. A bid bond, obtained through a bonding company, ensures that a contractor, if the lowest responsive bidder, will enter into a contract under the terms offered. Typically, the bonding company must pay the difference in cost between the lowest bid and the next lowest, or up to 5 percent of the amount bid, if the contractor fails to enter into a contract. Each bidder is required to provide this type of security with their bid. It is important to recognize that many small contractors have difficulty obtaining bonds of this

FIGURE 1
Simple Quotation for an Hourly Rate for Carpenter Labor.

QUOTATION NO: XX-XX
DATE PREPARED: XX/XX/XX
BID DUE DATE: XX/XX/XX
OPENING TIME: XX:XX P.M.
BUYER: _____

PAGE 1 OF 1
QUOTATION REQUEST
- NOT AN ORDER -

MAIL TO: University of Nebraska
Medical Center-Purchasing Dept
Administration Center
600 South 42nd Street-RM 3001
Omaha, NE 68198-5050
(402) 559-5400
HAND-CARRY TO: Purchasing Dept.
426 South 40th Street-RM 3001
Omaha, NE 68198-5050

INSTRUCTIONS TO BIDDER - READ CAREFULLY

- Quotation must be in ink or typewritten
- All quotations subject to attached conditions
- Quote firm prices F.O.B. Destination to the above delivery address
- To be valid quotations must be manually signed
- Exceptions and alternates must be stated and explained
- All questions regarding this quotation must be directed to the buyer listed above
- Provide manufacturer trade name & number for all items
- Failure to enter delivery date may cause quotation to be rejected
- Return one copy in enclosed envelope by date & time stated above

ITEM NO.	QUANTITY	DESCRIPTION	UNIT PRICE	TOTAL
		Vendor must provide the name(s) of carpenter that will work on jobs at the Medical Center, and the length of service with contractor. Failure to provide this information may be reason for rejecting vendor's bid.		
		Vendor is to submit a list of their insurance coverage with bid.		
		Upon completion of this contract the University and the successful bidder may renegotiate for contract renewal subject to the availability of funds.		
		SPECIFICATIONS		
		Time and material for carpentry repair and maintenance as follows:		
		Labor rate per hour:		
		Regular Time, Journerman	$ 16	00
		Regular Time, Apprentice	$ 12	00
		Overtime, Journerman	$ 24	00
		Overtime, Apprentice	$ 18	00
		Material:		
		Percentage mark up: XX.XX %		
		The Medical Center makes no guarantee as to minimum or maximum scope of an individual order.		

BIDDER COMPLETE THE FOLLOWING

FIRM No Name Construction Co
ADDRESS 123 Main Street
CITY Any Where
STATE XX ZIP 12345
TELEPHONE _____

Bidder agrees to deliver the above items in accordance with the conditions stated, within 10 days after receipt of order on the following payment terms ___ % ___ days; provided this quotation is accepted within 30 days
SIGN HERE: _____

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type. An institution may want to waive this requirement if it wishes to encourage small business participation or if the value of the contract is small, for example, under $25,000. For some institutions this waiver may require a specific dispensation, because some institutional rules require bid bonds for all bidding.

Once the offers have been received and contractor qualifications are established, offers are evaluated in accordance with the methods specified in the contract documents, which would normally be as follows:

Lump Sum Bids. Contract is awarded on the basis of the lowest price bid for performance of the required work from a responsible contractor.

Unit Price Bids. Contract is awarded in a similar manner as lump sum bids. Each of the unit prices are extended for the estimated quantities and a total amount is determined for each proposal. The contractor whose unit price bids provide the lowest estimated total cost for the required service is awarded the contract. In the case of a guaranteed maximum, the contract award would normally be made as if it were a lump sum bid. It may be advantageous to the owner, however, to award on the unit price basis. The award procedure should be established before bids are received to assure uniformity and fairness in bidding.

Proposals. Offers received on a "proposal" basis are typically received and evaluated on the basis of the criteria for evaluation and selection stated in the request for proposals. The review team evaluates each proposal and the individual evaluators typically assign scores to each proposal for each of the stated criteria. A numerical evaluation determines the best overall proposal. A typical evaluation form for an architectural selection is shown in Figure 2.

In the request for proposal procedure, a "best and final" procedure is often used. This provides a means for requesting changes and refinements to improve proposals so that they will better meet the needs of the requestor. One method may be to select a given number of proposals based on the highest numerical scores and have those firms make formal presentations to the evaluation team. The team members evaluate each

Figure 2

University of Nebraska Criteria for Evaluation of Architect/Engineer Proposals

PROJECT: _____

_____

EVALUATOR: _____

FIRM NAME: _____

CREATIVITY	RELATED PROJECT EXPERIENCE	
MANAGEMENT & ECONOMICS	HISTORY, PERFORMANCE & QUALIFICATIONS OF FIRM BUDGET MGMT. & CHANGE ORDER PERFORMANCE	
ENVIRONMENT	PREVIOUS EXAMPLES OF ENVIRONMENTAL AND ENERGY EXPERIENCES	

(MAXIMUM 500 POINTS)

DATE: _____

firm immediately following the presentation and the contract is awarded to the firm with the highest score.

In a variation of this two-step procedure, the evaluation team meets with each contractor, following an initial evaluation of proposals, to discuss any specific changes and improvements to the proposals that are desired. Each contractor then has a period of time to revise and improve its proposal before submitting a revised "best and final" proposal for final evaluation and selection.

Under either scenario, it is important that the same information be given to each bidder to prevent giving one firm an advantage over the others. If this is not done, it can result in delays in the contract process and creates the potential for expensive litigation.

Negotiated Contracts. These are established on the basis of negotiations with a single prospective contractor. This type of contract is normally used to secure professional service contacts such as architectural and engineering design services. Normally a two-step process is followed.

1. Determine the professional firm considered most qualified to provide the service.
2. Negotiate a price and other contract terms and conditions. A number of professional organizations and national services provide standards for evaluating pricing. Many public institutions are prohibited from negotiating with only one bidder unless they have been selected using criteria that offer the same opportunities to the available pool of contractors.

Contract requirements must be clearly defined in a negotiated contract, just as they are in other types of contracts. For this reason, it is important to develop a clear set of expectations in the specifications and to include them as a part of the contract documents.

In any negotiation process, it is important to begin the negotiations with a good idea of what the price should be, and what terms and conditions are appropriate. One person should conduct the contract negotiations, preferably one who is knowledgeable about the services and is skilled at negotiating. Others may be present, but only one should do the negotiating.

ESTABLISHING THE CONTRACT

Once the successful bidder has been identified and all negotiations are complete, a formal document should be drafted that establishes the agreed upon terms and conditions. The National Association of College and University Business Officers, in its publication *Contracting for Services* (1982), has defined a contract as follows:

> A contract is an agreement between two or more competent and authorized parties in which one of the parties, the offerer, promises something of value to the other party, the acceptor, in return for that party's promise to perform or refrain from performing certain activities.

This formal document will incorporate all plans and specifications that formed a basis for the contractor's offer, including the request for proposal document, the contractor's offer or proposal, any terms or conditions that were negotiated following selection of the contractor, and any other contractual requirements.

Most institutions have formal requirements for the formation of a contract, including who may obligate the institution. This most often will include the conditions outlined on the purchase order, which is a legal document binding the institution.

The successful contractor may be required to provide a performance bond, under which a bonding company guarantees performance of the required services in accordance with the contracted terms and conditions if the contractor should fail to perform. In this case the bonding company will hire other contractors to complete the work in accordance with the contract documents. Labor and material payment bonds may also be required as a means of assuring that subcontractors and suppliers are paid. Lien waivers are often required by institutions as assurance that the contractor has paid all of their subcontractors and suppliers so that no mechanics' liens will be filed against the institution.

CONTRACT MANAGEMENT

Once the contract has been signed, it is vitally important that it be administered properly to ensure the institution that all of the conditions of the contract documents are being met. Contract administration requires a good understanding of the service requirements as stipulated and a thorough knowledge of the institutional requirements. The following are some of the most important elements of contract administration:

- *The contract administrator should be a formal representative of the institution in all contractual matters.*

It is important that other parties from the institution not give direction to the contractor and that the contractor understand that any instructions from the institution must be taken solely through the designated contract administrator. Any deviation from this procedure can result in the contractor not being paid for work performed.

- *An inspection and evaluation procedure should be established to ensure that the quantity, quality, and deadlines of the service provided under the terms of the contract are met.*

A formal record must be made of all inspections and evaluations of contractor provided services. This should include a final performance evaluation after all work is completed to be reviewed when future contract awards to the same contractor are being considered. The evaluation should be shared with the contractor and any shortfalls should be explained.

- *Contract payments should be made promptly in accordance with the contract documents.*

The institution, through the contract administrator, should have an adequate procedure to establish that all work has been satisfactorily performed as invoiced. This can be a particular problem in both construction and maintenance service contracts. A specified basis should be established for reductions in the payment application when service standards required by a contract are not fully met. Unit price contracts will usually prove helpful in dealing with problems of this type.

Another effective procedure for dealing with substandard performance is the use of a scoring system, under which a numerical score reflecting the quality of service against the contract requirement is established on a regular frequency. Contract payments are then reduced when the quality of

service falls below the required level. In some instances, it may be advantageous to employ a preapproval step in the billing process, where the payment application is sent to the owner for verification before it is formally submitted for approval. This process is used frequently for construction contracts, where estimates of completion are important.

- *A claims and disputes procedure should be developed to provide a formal channel for resolving disagreements between the contractor and the owner.*

This may be a simple panel made up of representatives from both parties or a comprehensive process leading to binding arbitration and the courts.

- *A contract renewal procedure is often advantageous for continuing maintenance service contracts.*

This permits the continuation of uninterrupted service from a satisfactory contractor for an additional period of time. Typically, terms and conditions for contract renewal are incorporated into the original request for bids as proposals, with the contractor's terms for price adjustment at renewal submitted as part of he original bid or proposal. Good records of performance evaluations during the contract period will help to substantiate a request to extend the original contact.

CONCLUSION

As operating budgets continue to be scrutinized and systems become more complex, contracting for services may provide a mechanism for an institution to provide an expanding array of tasks without adding permanent staff. As a service organization, the facilities department must continually explore new opportunities and evaluate potential changes based on long-range planning. This may require an entirely new set of tools or standards.

The success or failure of any contracting effort is directly related to the quality of the contract documents. If they are incomplete or poorly structured then the contracting experience is likely to be a bad experience for both the institution and the contractor. If, however, sufficient time and adequate study is given to developing the contracting documents, then there is an extremely high probability that contracting for services will be a successful, economical experience for the institution

and an incentive for the contractor to reduce costs while improving service. The success or failure will be established by the customer.

JUL 1 2 1994

UNIVERSITY OF NEBRASKA MEDICAL CENTER

Purchasing Department
Administration Center
Room 3001
426 South 40th Street
Omaha, Nebraska 68198-5050

QUOTATION NO. RB-218

INVITATION TO BIDDERS
FOR

RED BAG WASTE DISPOSAL

Sealed bids for the purchase of the item(s) or service(s) as specified herein for the University of Nebraska Medical Center will be received for the Board of Regents of the University of Nebraska in the Purchasing Department Office, Administration Center, Room 3001, 426 South 40th Street, Omaha, Nebraska 68198-5050, with a closing time of:

DUE DATE & TIME:
JULY 29, 1994 - 2:00 P.M., C.D.S.T.

At which time they will be publicly opened and read aloud.

University of Nebraska Board of Regents

Thomas P. Keenan
Manager - Purchasing Department
University of Nebraska Medical Center
Telephone: (402) 559-5400

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REQUEST FOR PROPOSAL
FOR
RED BAG WASTE DISPOSAL

QUOTATION NO. RB-238

DUE DATE: JULY 29, 1994 - 2:00 P.M., C.D.S.T.

DATE	FIRM'S NAME
DELIVERY/COMPLETION DATE	AUTHORIZED SIGNATURE
TERM:	TITLE

UNIVERSITY OF NEBRASKA MEDICAL CENTER

INFORMATION FOR BIDDERS

1. Scope of Work

See attached specifications.

2. Bids

A. Bid form is included herein. The University may consider informal any bid not prepared and submitted on the enclosed form.

B. No bid(s) will be considered if it has not been received prior to the closing time set for the bid opening in the Invitation to Bidders issued with the specifications.

C. Bids will be analyzed in detail. Award will be made in a manner deemed in the best interest of the University of Nebraska Medical Center.

D. Any bidder may modify his bid prior to the scheduled closing date. Modifications may be made in person or by written notice.

A written notice should not reveal the bid price, but should provide the addition or subtraction or other modification so that the final price(s) or term(s) will not be known until the sealed bid is opened.

3. Withdrawal of Bids

A. Bidder may withdraw his bid at any time prior to the scheduled closing time for the receipt of bids.

B. No bidder may withdraw his bid for a period of sixty (60) days after scheduled closing time for receipt of bids.

4. Award Effective

Contract shall be deemed as having been awarded when formal notice of award is duly served upon intended awardee by the Board of Regents in the form of a purchase order.

5. Acceptance or Rejection of Bids

The Board of Regents of the University of Nebraska reserves the right to reject any or all bids, wholly or in part; to waive any technicality in any bid.

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6. Competency of Bidders

The Board of Regents will not award a contract to a bidder who does not furnish upon request satisfactory evidence that he has the necessary ability and financial resources to enable him to complete this contract.

7. Time of Completion

The successful vendor shall commence contract on written notice to proceed and shall complete contract in N.A. days.

8. Nondiscrimination

The Nebraska Fair Employment Practice Act prohibits contractors to the University of Nebraska and their subcontractors from discriminating against any employee or applicant for employment, to be employed in the performance of such contracts, with respect to his/her hire, tenure terms, conditions or privileges of employment because of his/her race, color, religion, sex, age or national origin. The bidder's signature to this bid is his/her guarantee of compliance with the Nebraska Fair Employment Practice Act, and the breach of this provision shall be regarded as a material breach of this contract. The contractor shall insert a similar provision in all subcontracts for services to be covered by any contract resulting from this bid.

9. Public Inspection of Bids

After all bids have been publicly opened and read, they will be considered public records and will be available for public inspection.

10. Taxes

The University is exempt from all Federal, State and Municipal taxes. Tax exempt number is 05-3682242.

11. Life-Cycle Cost

A life-cost analysis of the intended equipment or service may be used in determining the selection of the lowest responsive bidder.

12. The following standard form(s) will be used for this work.

XX Certificate of Insurance (sample attached)

N/A Performance Bond

N/A Material/Labor Bond

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1.0 SCOPE:

The University of Nebraska Medical Center is interested in receiving proposals from established firms for the collection, handling, processing and disposal of infectious and pathological wastes. These wastes are commonly referred to as "red bag wastes".

2.0 BACKGROUND INFORMATION:

The University of Nebraska Medical Center is a comprehensive medical research institution consisting of a major 375 bed trauma hospital specializing in transplantation, 5 separate colleges, basic and applied research programs in cancer, diabetics, genetic, AIDS, and childhood diseases, and other extensive support program which contribute to the waste stream. The current waste disposal program excluding hazardous and radiation wastes consists of:

- Recycling program of cafeteria foam products
- Recycling program of aluminum cans
- Recycling program of cardboard
- Recycling program of waste paper
- Packer truck removal of general grey bag wastes transported directly to local landfill
- Commercial removal of construction materials
- Incineration of red bag wastes on site
- Autoclaving of special wastes before incineration

Red bag wastes are generated in the hospital, patient rooms and patient clinics, emergency rooms, operating suites, research laboratories and from some sterilization processes. Suction canisters from all areas on campus are included as red bag waste. A summary of the typical daily weights of the red bag waste collected is included as exhibit A.

Red bag waste is currently collected in departments throughout campus in 4 mil plastic bags. The bags are sealed on site and picked up by Environmental Services employees and delivered to one of two sites on campus where the bags are placed into specially marked trailers. The trailers are collected at least once a day and taken to the on site incinerator where they are burned. The ash from this process is collected and delivered by Medical Center vehicles to the local landfill.

2.1 OBJECTIVES OF REQUEST FOR PROPOSAL (RFP):

A. To provide a fair and objective evaluation of proposals.

B. To result in a contract between the successful bidder and the University of Nebraska Medical Center (UNMC).

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2.2 INQUIRIES:

A. All inquiries concerning this request for proposal may contact:

Thomas P. Keenan, Manager
Purchasing Department
University of Nebraska Medical Center
Administration Center, Room 3001
426 South 40th Street
Omaha, Nebraska 68198-5050
Telephone: 492-559-5400

2.3 ECONOMY OF PRESENTATION:

Proposal should be prepared simply and economically, providing a straight forward, concise description of the bidders capability to satisfy the requirements of the RFP. Proposals should be presented in numerical sequences as it appears in this document.

2.4 AWARD OF CONTRACT:

Award of contract, if made, will be in accordance with the RFP Evaluation Criteria to the most responsive bidder, whose proposal complies with all the requirements of the RFP documents and addenda thereto, except for such immaterial defects as may be waived by UNMC.

3.0 STANDARD TERMS & CONDITIONS:

See the attached.

3.1 CONTRACT TERM & EXTENSION:

This contract will be effective from January 1, 1995, and will expire on December 31, 1995. Upon completion of the initial term the Medical Center and the contractor may renegotiate for contract renewal subject to the availability of funds. The contract will be renewable in twelve month increments.

3.2 CONTRACT TERMINATION:

A. This contract may be cancelled by either party upon 90 days written notice without penalty to either party.

B. At the conclusion of the initial contract period or extension thereof, this contract may be allowed to expire without penalty to either party int he event that the two parties cannot reach an agreement for contract renewal.

C. Termination for Cause: In the event that the contractor fails to meet its contractual obligations the Medical Center shall inform the contractor in writing that the contract may be cancelled if nonperformance continues. The contractor will be given five (5) working days to correct any deficiencies. If after five (5) working days substantial corrective action has not occurred the Medical Center shall have the right to immediately cancel the contract.

4.0 PROPOSAL DUE DATE AND TIME:

Contractors must submit two (2) copies of their proposals by 2:00 p.m., C.D.S.T., July 29, 1994.

4.1 MAILING ADDRESS:

University of Nebraska Medical Center
Purchasing Department
600 South 42nd Street
Omaha, NE 68198-5050

4.2 HAND CARRY ADDRESS:

University of Nebraska Medical Center
Administration Center
426 South 40th Street
Room 3001
Omaha, NE 68198

4.3 PREPROPOSAL SITE TOUR:

All contractors who are interested in submitting a proposal are **required** to attend a site tour on July 21, 1994. Advanced confirmation of contractors' attendance is required.

Please RSVP to: Ed Bogard, 559-5301, Facilities Management & Planning

Contractors are to meet in the Service Building, Facilities Management and Planning at 2:00 p.m., C.D.S.T.

5.0 TENTATIVE SCHEDULE:

July 21, 1994 - Site Tour
July 29, 1994 - Proposal Due Date
September 15, 1994 - Completion of Evaluations
October 15, 1994 - Contract Award
November 15, 1994 - Start up and Refinements
January 1, 1995 - Formal Start of Operations

6.0 EVALUATION CRITERIA

The following criteria will be utilized in determining the award of this contract. A point scale has been developed and each criteria has been assigned a weighted value.

A. Audited Financial Statements

B. Cost of Service

C. Indirect cost and requirements of UNMC

D. References

E. Ability and skill of the contractor

F. Formal training received by each driver

7.0 RED BAG WEIGHT LOG:

See attachment #1 for tonnage information.

8.0 PLEASE PROVIDE THE FOLLOWING INFORMATION:

A. Provide in a separate envelope your firms audited financial statement for the previous two (2) business years.

B. Provide the names of three (3) hospitals that you currently service or have previously serviced in the disposal of "red bag waste". Provide a contact person and telephone number.

C. Provide the names of any accounts your firm lost in the last two years. Indicate the reason for loss.

D. Describe in complete detail the manner in which you intend to service the Medical Center. Include how you propose to meet all local, state and federal standards for handling, transporting and disposal of "red bag waste". List all equipment including the type, size, capacity and manufacturer.

E. Describe the manner in which the collection, packaging, handling and disposal of suction canisters will be dealt with.

F. Describe how you expect UNMC to participate in this contract.

G. Indicate the price per lb. for disposal of "red bag waste". Would there be a different charge for weekend pickup?

H. How many employees does your firm currently employ?

I. How many disposal vehicles does your firm currently own?

J. How do you expect to resolve problems?

K. Describe any special training your employees receive regarding the disposal of "red bag waste".

L. Describe what limits of liability insurance your firm carries.

M. If the College of Dentistry on the UNL East Campus in Lincoln chooses to participate in this contract, describe how you could pick up and handle their "red bag waste".

N. Provide a copy of your firm's Certificate of Insurance coverage.

Contracting for Facilities Management Services: An Ethical Dilemma

Alan L. Ingle

Determining the best way to provide college and university facilities management services involves a long-standing ethical dilemma. Should services be accomplished using internal personnel on the institutional payroll or contracted to the private sector, as has been the case during recent years?

As part of the founding doctrine of American higher education, service operations in colleges and universities have been performed by internal public employees. The public sector has always expected the highest possible degree of performance efficiency and effectiveness by its personnel. These public employees are trusted to work at a high level of ethical conduct.

While quality and timeliness seem to support the effectiveness of using internal staff, a combination of perceived work force "rights" to criticize policy and the opportunity to be closely involved in deciding how to perform the work to be done has sometimes worked against the concept of efficiency. Consequently, institutional costs are generally higher than private sector pricing.

During recent years, as population has increased and technology has advanced, it has become important for service activity aimed at updating college and university facilities to keep pace with the times. These fast-paced changes have coincided with an economy plagued by periods of inflation and unemployment. While demand for improved services continues, at the same time, a troubled educational revenue base has

been unable to support programs involving increased service requirements.

College and university administrators are turning to innovative ways to provide improved services more economically, while striving to maintain quality and deliver services in a timely manner.

While the concepts of efficiency and efficacy have been paramount in establishing services, the economy has dictated the prevailing method of operation. In the present economy, contracting for services has become a necessity. The administrator must balance issues of price, quality, and delivery, while at the same time protecting the equity of internal personnel. Administrators face a difficult ethical decision: contracting out for service, which may result in the termination of internal personnel; or continuing to provide services in-house at a premium price. Either alternative may create feelings of professional guilt.

PRIVATIZATION IN THE PUBLIC SECTOR

With great frequency, higher education (thought of as part of the public sector) is using external public sector contractors to perform services that were traditionally provided internally. Since the privatization of services has become an option, the administrator has become a super purchasing agent and must now negotiate in the marketplace to obtain the best services at the best price. And he or she must wrestle with the problem of denying internal public servants the opportunity to perform their jobs.

Most recently the focus of privatization has centered on local, institutional, and municipal (public-related) type environments. The education community now recognizes that any service that can be provided by public servants can be provided by private contractors as well.

Certain types of service—those that are repetitious, quantifiable, and standardized—are more easily controlled and are, therefore, most appropriate for contracting out. Such services include, among others, custodial, refuse removal, moving, grounds care, and painting. Other important factors to consider when deciding whether to contract are the availability of competent contractors, whether work can be done in a timely

fashion, and community well-being. This analysis attempts to answer a number of long-standing questions involved in contracting for facilities services, including:

- Why and to what extent has privatization of the public sector occurred?
- Can such privatization work to the advantage of higher education and the public at large?
- Can the educational administrator deal with the problems related to contracting out?
- Are there ethical questions that cannot be resolved (including inherent difficulties related to effectiveness and efficiency)?
- Can the facilities worker's interests be put aside without regard for past loyalty and dedication to "the cause"?
- Can the ultimate question of "price, quality, and delivery" be addressed in the interest of all concerned?

Price

With the continuing expansion in population, a disproportionate decrease in the revenue base, and a struggling economy comes the necessity for greater emphasis on the cost of providing services. The price paid for services in higher education has generally been higher than that paid in the private sector. This has been attributed to the public service management philosophy, including staffing levels, benefits, and public commitment. While individual workers are generally compensated at a lower rate than in the private sector, a greater number of personnel are used to perform similar tasks. If the public sector (internal personnel) is to be successful it is important to turn the formula around and do more work in less time; such is the management task of the facilities administrator.

The private sector, while striving to maximize the bottom line, will bid to get the job and will execute it based on a predetermined price of labor and number of personnel. However, administrators must monitor private contractors to avoid sloppy work, failure to meet specifications, and extra costs. The price can be contained only if the facilities administrator retains control.

Quality

When the facilities administrator develops plans to perform services, the plans generally include specific restraints that ensure quality service. The facilities administrator must employ quality craftpersons and require that work be inspected. In the private sector, quality is ensured through a contract. Generally, no more or no less service is provided; however, corners will be cut if possible since any savings will go to the financial bottom line. Depending on the nature of the service and the flexibility of the contract documents, the private contractor will cut services, providing only that which is necessary to ensure payment.

Delivery

The issue of timeliness in delivery of services when contracting out has largely been overlooked. When work is performed by internal personnel, it is usually provided in a timely fashion, contingent on a number of factors including labor and material. Internal workers have a mandate to complete work on time and as planned. If task are not completed, the community will inquire about why service personnel failed to perform. On the other hand, private contractors work on a schedule related to the use of various kinds of labor with less concern for overall time of completion. If it is in the best interest from a profit motive for the private company to complete the project or service involved, it will be done; however, if completion is not in the contractor's best interest, barring any contractual obligation, the job may not be completed expeditiously. The length of time it takes to finish a job is beyond the facilities administrator's control.

THE FACILITIES ADMINISTRATOR'S ROLE AND RESPONSIBILITY

The administrator must take responsibility for deciding how services will be provided. He or she should exercise discretion when deciding whether to continue the past practice of performing services using in-house personnel, or to allow outside contracted execution of services. Ultimately, the administrator, as a business person, must review the financial bottom line,

the technical specifications, and the legal ramifications in each instance and act accordingly. The values associated with effective and efficient performance are critical in the administrator's analysis. The success of the organization's mission may depend on these values. The administrator may feel remorseful if service personnel must be terminated when services are contracted out. However, the pressure of continuing to provide services using internal employees at a premium price will also be extremely strong. A difficult ethical dilemma arises each time the administrator is faced with a choice between rising costs and quality service.

Each administrator, possessing unique personal values, will consider to some extent the humanistic concerns of organizational loyalty, employee rights, and community convenience. As mentioned previously, the administrator faces the following alternatives:

- Continue to perform the service using internal employees. This option ensures continued employment for staff, timely delivery, and quality service. However, on average, this method is more expensive, limiting the quantity of service that can be provided.
- Contract out to private companies. This method, on average, costs less. On the negative side, it often forces a reduction in internal staff and creates a risk of less satisfactory quality and delivery.

Recommended Strategies

The decision to contract for facilities services must be accompanied by a well-defined program of ethical considerations including the following:

1. The future of service personnel. The fair and just treatment of service personnel must be paramount in any decision. When a position is no longer needed due to the use of a contract service, reductions in service personnel should be accomplished by attrition, acceptable lateral transfer, or other equitable means when possible. The financial gains that can be realized through contracting will be minor if the morale of remaining personnel declines due to improper handling of personnel issues.

2. Analysis based on public interest. Prior to proceeding with any program of contracting, a review of the public interest (college and university community) should be completed. Analysis of only the internal needs of the facilities organization cannot be sufficient as decision criteria. Some form of outside community intelligence gathering is required in order to obtain the input of the constituencies being served. Their input on the level of satisfaction with current service, optimum levels of service needed, and preferred methods of implementation is critical.
3. Consideration for quality and control. The opportunity costs of inferior quality, performance delays, and general loss of control are major issues. The administrator should explore the climate for success in privatizing the work. Exploratory proposals should be requested to check the extent of cooperation that can be expected and the availability of qualified, reliable contractors. To forfeit quality and control is generally unacceptable to the community as well as to facilities personnel and must be avoided.

The strategies available to the administrator in these matters are complex and extensive, but all must include an emphasis on the administration of a just and equitable outcome for all concerned.

In order for the outcome to be fair, the administrator must be sure that the processes used to reach the outcome are fair. Some basic concepts can be utilized by the administrator to help ensure success.

1. Accuracy. In order to ensure the best possible position, the administrator should take time to guarantee the accuracy and correctness of decision studies conducted and implementation processes put into effect. If these matters are treated with accuracy, a greater chance for justice for all will result.
2. Equality. In the process of developing the programs related to contracting services, it is necessary to be sure that all parties, the affected workers as well as the general college or university community and other agencies involved, have equal access to all information available. Those responsible for compiling information and making decisions must be the primary parties in contracting service needs. Administra-

Figure 1
Closed-Loop Logic Diagram.

FACILITIES SERVICES ACCOMPLISHED BY:
PRIVATE CONTRACTOR OR INTERNAL PERSONNEL
NEED IDENTIFIED
NO MANDATE TO USE INTERNAL PERSONNEL
USE OF INTERNAL PERSONNEL MANDATED BY REGULATIONS
PERSONAL VALUES PRESSURES OBLIGATIONS
CUSTOM ONE TIME NEED
REPETITIOUS STANDARD NEED
PERSONAL VALUES PRESSURES OBLIGATIONS
COMPETENT CONTRACTORS NOT AVAILABLE
COMPETENT CONTRACTORS AVAILABLE
PERSONAL VALUES PRESSURES OBLIGATIONS
SERVICE NEEDED QUICKLY
TIME NOT A PROBLEM
PERSONAL VALUES PRESSURES OBLIGATIONS
INTERNAL PERSONNEL WILL BE HURT
INTERNAL PERSONNEL NEEDS HAVE BEEN CONSIDERED
PERSONAL VALUES PRESSURES OBLIGATIONS
INSTITUTIONAL COMMUNITY PUBLIC INTERESTS HAVE BEEN CONSIDERED
PERSONAL VALUES PRESSURES OBLIGATIONS
USE CONTRACTOR
USE INTERNAL PERSONNEL
NEED SATISFIED
CLOSED LOOP LOGIC DIAGRAM TO IDENTIFY ACTION

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tors must be available to respond to questions and concerns from the community and all interested parties. In order to make sure that equal consideration is given to all methods of operation, everyone should have equivalent access to information and people.

3. Communication. The administrator should maintain a large degree of openness with all interested parties. Being understood is important in guaranteeing the successful initiation of the programs undertaken. All parties should feel that their position has been considered and their perspective has been made a part of the decision.
4. Humaneness. During the entire process, individuals involved should have a sense of respect and dignity for all other parties in carrying out the research and resulting facilities programs. The strategies should enhance the position of individual dignity. Each person, whether part of the general public, employed contractors, or internal work force should be treated appropriately to ensure humane outcomes.

Although in many cases the factors involved in making decisions may be in conflict, the administrator can best serve the interest of the college or university by ensuring that the decision is fair. A theoretical logic diagram, designed to aid in identifying action, may help to determine how a service can be best provided (see Figure 1). The administrator should first consider regulatory requirements that mandate action. A series of questions can then help in the decision: Is the need repetitive and work standardized? Are competent contractors available? Is time a concern? Will internal personnel be hurt? Has public interest been considered? Each time a question is answered, the personal values, pressures, and obligations as applied by the unique circumstances and the involved administrator will enter into the decision. Working through these important process questions can be helpful in reaching an equitable decision.

SUMMARY

The issues surrounding the decision to use contract services or to self-operate are volatile in nature. As a result of related facilities management decisions, the community will either enjoy high quality facilities services delivered in a timely man-

ner at competitive prices, or they will be forced to endure inadequate facilities services improperly delivered at inflated prices. When considering contracting for service, administrators must conduct themselves in a just and ethical manner if the facilities management mission is to succeed. In the final analysis, the administrator's goal should not be to provide a panacea but to produce viable results that permit a combination of facilities services provided by the joint efforts of contractors and internal workers. To expect exclusivity of one or the other is to promote and condone an unjust system of facilities services administration.

Virginia's Make-or-Buy Competitive Procurement Program

Richard Fowler
Jay W. Klingel
William Middleton
William Stauff

Throughout higher education, and the public sector generally, there has been a growing interest in the idea of privatization as a mean of reducing costs and improving quality of support services. The perception—and sometimes the reality—is that a public sector or institutional work force is inefficient and unresponsive. We should let the private sector, and competition, work to assure that services are provided at the lowest possible cost and in the most responsive manner possible.

The federal government has had privatization programs for years, and many state and local governments have followed suit. Several years ago, during his term as state governor of Virginia, Gerald Baliles mandated a make-or-buy competitive procurement program. This required state agencies to compare the cost of services provided in the public sector with the cost of contracted services.

At the University of Virginia we have given much thought to how we could best carry out such comparisons, and we have developed a program based on the framework provided by Governor Baliles's make-or-buy executive memorandum.

In developing our program we reached one essential conclusion: the issue is not privatization versus in-house performance; rather, the issue is competition.

David Osborne, who has done a significant study and written on improving efficiency in government, has established as one of his basic guidelines "Whenever possible, inject competition into public service." (*Washington Post Magazine*, December 9, 1990).

Osborne quotes the city auditor of Phoenix, Arizona, Jim Flanagan, who has discovered there is no truth to the old saw that outside business is always more efficient than government. The important distinction, says Flanagan, is not public versus private, it is monopoly versus competition. "Where there is competition," says Flanagan, "you get better results, more cost-consciousness and superior service delivery."

In developing our program in Virginia, we didn't want to simply trade an in-house monopoly for a contractor monopoly. In principle, our make-or-buy competitive procurement program is one under which our internal workforce competes for facilities projects or service contracts against private sector contractors. In establishing the program we had three principal goals:

1. We wanted to assure ourselves, and our customers, that facilities projects and services are being provided at a satisfactory level of quality and in the most economical manner available.
2. We wanted competition to act as a force to enhance the cost-consciousness, efficiency, and productivity of our internal workforce.
3. Similarly, we wanted the force of greater competition to enhance the competitiveness of outside contractors.

We have established as basic policy that we will make the broadest possible use of competitive make-or-buy solicitations for all forms of facilities services, whenever feasible. To do this effectively, we recognized that some fundamental restructuring of our organization and revision of responsibilities would be necessary. The principal changes have been as follows:

1. Our work management department has become our "program manager" for most of the university facilities maintenance and services budgets allocated directly to facilities management and it acts in a similar capacity for all of our reimbursable customers. Their charge is simply to get the

work done for the lowest possible cost at an acceptable level of performance.

2. Our operations department has been recast as an "entrepreneurial" unit, expected to compete for work much like any private sector business. They are now responsible for establishing pricing and schedules for work performance and are fully accountable for the financial results.
3. Our business operations unit has established a comprehensive system of financial responsibility centers throughout the facilities management organization. Each such center is held accountable for the profit or loss of their make-or-buy activities.

We initiated this make-or-buy approach at the University of Virginia in the early nineties, and have now completed more than $5 million in procurements under this program. In this chapter we describe how we have modified the organization and established procedures to effectively conduct a competitive procurement program and it summarizes the principal results to date. Further, it offers some advice based on UVA's experience for anyone who might be contemplating a similar venture.

MAKE-OR-BUY PROGRAM MANAGEMENT

The program has required fundamental changes in our facilities management organization. As mentioned, the work management office has become more of a program management group.

The job of the work management group is to get the maintenance and improvement work completed at the lowest possible cost at an acceptable level of quality. We manage maintenance programs and budgets by controlling the flow of work through a series of make-or-buy comparisons. The work management group no longer has the responsibility to "keep the shops busy," but to do as much maintenance for the money as possible through competitive comparisons.

As we began to implement our ideas on the make-or-buy program, we realized that contract development, or preparing the procurement specifications, would be the first key to a successful program.

The position of service contracts manager was established as part of our work management office. The duties of this position

include specification development, procurement coordination, contract administration, and reporting. We were fortunate to attract a candidate with procurement experience in the public sector, who brought the skills and knowledge necessary to establish a consistent and accurate program of writing specifications. The skills of the contract manager combined with the technical expertise of operations personnel have enabled us to develop solid and equitable specifications.

The types of contracts we have established vary from long-term (multi-year) service contracts to yearly unit-rate agreements, to spot or lump-sum purchases for specific projects. These different types of procurements allow us to compare prices of in-house and outside contractors in three distinct ways.

1. *Long-Term Service Contracts.* These contracts are based on providing a basic service on an annual or multi-year basis. Examples of this type of contract for which we have completed make-or-buy comparisons based on direct competition include custodial services, elevator maintenance, grass mowing, and fire detection and inspection.
2. *Unit-Rate Standing Contracts.* These contracts are awarded to outside contractors for yet-to-be determined services based on a unit rate. Once contracts are in place we are able to make an indirect comparison of in-house versus contracted costs for a specific job. Examples of this type of contract include interior paint, suspended ceilings, tile floor, and concrete sidewalks. If our operations crews are able to provide services at a lower cost than the contract unit rate, the work is assigned to them through that method of indirect comparison.
3. *Spot Procurement Contracts.* These contracts are awarded through a direct competitive bid for a specific project. Examples would be a renovation project, painting the exterior of a building, or moving a department from one facility to another.

Through these three basic procurement methods we feel we have built a foundation to eventually compare costs for virtually the full range of services provided by our facilities management organization. We have tried to identify those items that would result in the most savings from a competitive compari-

son. We first targeted services that had been traditionally contracted but that we felt our own forces might be able to accomplish, as well as those services we normally provided with in-house forces that were not competitively priced.

As a state institution, all of our procurements must be in accordance with the Virginia Public Procurement Act. For all our directly competitive comparisons, we ask that our operations department abide by the same rules as their competition.

The level of quality must be emphasized in the specification. While the cost of services is of foremost concern to many organizations, especially in our current financial climate, an acceptable level of quality must be maintained. Defining that level, especially for a service, is perhaps the specifier's most difficult task.

Evaluation Of Bids And Proposals

After the need is developed for a particular contract, a solicitation must be issued to both outside contractor and in-house forces. The bids or proposal from our in-house forces are treated almost identically as bids from the private sector. Facilities operations must develop a bid price based on solicitation requirements and submit it to the same office that issued the solicitation to the private sector. Once bids are received, the in-house bid is compared to the lowest responsible/responsive bid from outside contractors. A make-or-buy analysis is completed based on these two bids. The solicitation requirements may need to be clarified to assure that all parties involved in the procurement have a full and complete understanding.

When evaluating bids/proposals within the make-or-buy program, researching the capabilities of both in-house and the outside contractors is an essential element of making an award. One should take the time to do the necessary research to determine if the apparent low bidder has the capabilities to complete the contracted work. Contractor or in-house capabilities to be researched might include

- Financial data and fund availability.
- Available technical equipment and personnel.
- Production and delivery capacity.
- Quality assurance program.

After researching the capabilities of facilities operations as well as those of the outside contractor, an award is made. Various types of information about the award should be provided to both end-user departments as well as facilities management personnel. Such information should include the type of contract awarded, duration of the contract, to whom the contract was awarded, and any make-or-buy cost analysis data for key management personnel.

Contract Administration

The work management department has been delegated the responsibility to handle contract administration. This includes determining what types of services are to be analyzed under the make-or-buy program, developing specifications, reviewing bids when received, completing a make-or-buy analysis, recommending awards, and performing inspections on contracted work.

The work management department is also responsible for coordinating contract work and performing a final inspection on contracted work. This includes the establishment of a tracking system on all contractual work, showing work schedules for each particular contract, establishing project performance dates, and performing final inspection of projects when completed. Whether work is completed by in-house forces or by outside contractors, a quality assurance program should be established to monitor performance and to offer solutions to problems. Work management monitors and assesses contractual solutions to assure that they are appropriate to the problems and competently implemented.

COMPETING UNDER MAKE-OR-BUY

The facilities operations department reorganized the maintenance and renovation shops into individual responsibility centers (cost centers). We use zero-based methods to establish budgeting and spread appropriate divisional, departmental, and overall assignable facilities management overhead to individual cost centers. We then fine-tune the billing rates of selected cost centers as required to enhance their competitiveness.

In make-or-buy comparisons the operations department competes head-to-head with successful local contractors. An examination of fourteen recent make-or-buy comparisons for our renovations shops during the 1993-94 year reveals that facilities operations was the low bidder on nine projects, at an average of 15 percent below the next lowest bidder. However, during these times of tight economy we have found that some contractors are providing loss leaders just to cover payroll. Our renovations superintendents have been actively courting project managers and customer facilities representatives to learn of additional work opportunities.

Some of the problems associated with the make-or-buy approach include a diminished control of our work load. Our backlog of work has been reduced significantly because the decision point in determining when we are awarded projects has been delayed until very late in the life of a project.

Additionally, the recessive economy contributed to a paucity of projects of any sort. Due to our competitive environment, we have been forced to reduce the amount of advice, pricing, and other "free" services we previously provided to others.

We have increased our productivity awareness and have actively marketed our services to the university community. We have additionally solicited work from other state agencies and local governments. This has provided opportunities for us to perform sign making, asbestos removal consulting, furniture renewal, and to establish recycling programs for local school systems. We have started putting on "dog-and-pony" shows to demonstrate our capabilities and to foster the thought that work could be cost-effectively accomplished by us during this period of diminished activity.

We have in addition begun a series of discussions with customers concerning performing design-build projects using our own staff and teaming up with the facilities planning and construction department to buy their professional design services for either a piece of the action or on an hourly rate basis. We feel that we can best serve our customers by striking a deal based on a guaranteed maximum price with a negotiated shared savings based on perceived risk to both parties. This procedure not only makes us an advocate for the customer because we both have a strong interest in bringing in a project

as cheaply as possible, but it takes much of the guess work out of the composition and timing of our backlog of work and puts a project on an expedited track.

The greatest challenges of the make-or-buy approach have come from the overall economy rather than the competitiveness of the system. The tighter economic climate has caused the adrenaline to pump a little faster during our work days.

RESPONSIBILITY CENTER ACCOUNTING

Cost center restructuring is necessary when a company reorganizes. An APPA evaluation team and an independent facilities consultant organization made recommendations resulting in changes to our organization. Cost center restructuring then followed to support the revised organizational structure.

We reviewed our organization and established responsibility units for each service we provide. We designed the system to assess the achievement of each profit center. Individual supervisors now take on the additional tasks of fiscal manager as well as being service-oriented managers. Prior to these changes, a $40 million budget was controlled by few and spent by many.

Planning, budgeting, reporting, and controlling are now performed by each profit center. The theory is to delegate responsibility for managing expenditures to the supervisor at the point where the costs are generated. Accountability is now decentralized. The first quarter review of fiscal year 1993-94 revealed an interesting phenomenon: many of the cost center managers' profit centers were "in the black." In many cases their revenues were down, but the new reporting enabled them to see their bottom line and thus hold back discretionary expenses. So far it's working!

Zero-based budgeting is also in place. In *Facilities Management: A Manual for Plant Administration*, second edition (APPA, 1989), Ronald Blickhahn, who applied zero-based budgeting at Duke University, describes zero-base budgeting as

> a system that requires each function, activity, or program to be justified on the basis of its own merit to the organization. zero-based budgeting calls for resource allocations to be committed only after each activity or pro-

gram is analyzed and justified from scratch or "based zero."

Thirty-three cost center managers prepare budgets that are reviewed and approved in accordance with established organizational goals and objectives.

The cost accounting system is part of the facilities management system (FMS). David J. Gojdics from Emory University talks about the need for a university's facilities management system to be "the primary planning and control tool of the physical plant department" (*Facilities Management: A Manual for Plant Administration*, second edition). The system that the University of Virginia is putting in place allows the facilities management budget structure to be arranged in cost centers that match the various functions or shops. The system has the capability to summarize cost and budget data in the NACUBO/APPA reporting formats. The accounting system is integrated with the facilities management system and interfaces with the administrative mainframe for uploading and downloading. The system allows users on-line access and querying capability.

THE RESULTS OF MAKE OR BUY

We felt it was important to track the progress of the make-or-buy program, both in terms of the number and types of procurements as well as the financial impact. We are tracking the cost differential between facilities management's proposals and the low private sector proposals. A difference in cost is not necessarily a savings. For example, we have traditionally contracted pest control services. In a make-or-buy procurement, if our in-house bid for these services is $10,000 higher than the low contractor, we do not save $10,000. But, on the other hand, if the in-house bid is $10,000 lower, we in effect "save" that amount by bringing the service in house. Thus the actual savings realized by the program represents the cost differences in proposals for those services for which the traditional provider changed as a result of competition.

We have been tracking the financial results of make-or-buy procurements since January 1991. Through June 1994 a total dollar volume of $5.4 million had been awarded as a result of

make-or-buy comparisons. Of that total, 65 percent has been awarded to in-house forces. The cumulative differential of in-house bids and the low private contractor bid is $1.1 million. The Appendix illustrates the reporting format we've developed, and contains financial information through the fourth quarter of fiscal year 1993-94.

We have mentioned the move of our operations area toward a more entrepreneurial attitude and approach. The make-or-buy program has stimulated this approach because as more basic services are competitively procured, the operations group must become more innovative and more business-like in order to acquire the work to recover its expenses.

Early in the program we found that some of our shops, because of rate structures, were unable to compete with the private sector. For the customers, this created the positive result of lower prices for those services.

The negative result of this was that employees in these shops were unable to obtain work. Ultimately some positions were terminated and these employees were either transferred or, in some cases, laid off. So there are admittedly effects on morale due to the make-or-buy program.

Many employees feel threatened by the possibilities that make-or-buy comparisons present. There are constraints in the State of Virginia personnel and procurement systems that limit flexibility in many cases. However, we are finding that those individuals who are confident in themselves and their work are welcoming the challenges that the program offers. Those of us who have heard that "Facilities management takes too long and costs too much" welcome the opportunity to compete with private contractors and to demonstrate the cost-effectiveness of public sector work.

CONCLUSION

We feel the make-or-buy program at the University of Virginia has been a great success. Since the start of the program in 1991, the total cumulative differential in all service areas totals $1,087,278. The cumulative volume of make-or-buy awards totals $5,408,049. Of that amount, in-house forces were awarded 65 percent. We have contracted out services tradition-

ally provided by in-house forces. We have also brought services in-house that had been traditionally contracted out.

Although controversial, the program has brought many rewards to facilities management, and our customers seem to be pleased with the results. We do not accept the assumption that private business is always more efficient than government or public work. Appropriate levels of competitive comparisons will not only reveal where efficiencies currently lie, but will enhance efficiency in both the public and private sector service providers.

One of the key differences between public and private sector business is, of course, profit motivation. Through competition, the private sector earns profit. The public sector, traditionally, has no profit motivation. By combining the concepts of competitive comparisons for services and facilities endowments, the public sector can make a case for earning not a personal profit, but a public profit. By confronting the bureaucratic tendencies of complacency and centralization, we hope to become less of a bureaucratic organization and more of a competitive, entrepreneurial organization.

UNIVERSITY OF VIRGINIA FACILITIES MANAGEMENT
Work Management Department

MAKE/BUY COST DIFFERENTIAL REPORT
4TH QUARTER
June 15, 1993

A. ANNUAL CONTRACTS

Type of Contract	In-House Proposal	Lowest Firm	Cost Differential
Building Services RFP	$867,629.00	$842,000.00	$<25,629.00>**

4TH Qtr Cost Differential	$ <25,629.00>
Year-to-Date Differential	$ <25,629.00>

B. FURNISH & INSTALL CONTRACTS

Type of Contract	In-House Bid	Lowest Firm	Cost Differential
1 Interior Painting			
WO# 058150	$ 2,575.00	$ 4,557.00	$ 1,982.00
WO# 058150	$ 1,590.00	$ 2,512.00	$ 922.00
WO# 096596	$ 2,925.00	$ 1,350.00	$ 1,575.00
		Sub Total	$ 4,479.00
2 On-Demand Constr Services			
WO# 039626 Gilmer Hall Taylor Lab Renovation	$ 86,293.00	$ 67,200.00	$19,093.00
WO# 098840	$ 35,296.00	$ 31,000.00	$ 4,296.00

Davis Wing

WO# 704405 Jordan Hall Corridor Ceiling	$121,563.00	$134,538.00	$12,975.00
WO# 704877 Randall Hall Sidewalk Improvement	$ 84,693.00	$ 71,600.00	$13,093.00
		Sub Total	$ 49,457.00

3 Casework

None completed this Qtr

Sub Total $ .00

4 Roofing Repairs

None completed this Qtr

Sub Total $ .00

4TH Qtr Cost Differential $ 53,936.00
Year-to Date Differential $ 110,735.00

C SPOT PROCUREMENTS

Type of Procurement	In-House Bid	Lowest Firm	Cost Differential
East Range Shutters (Furnish Only)	$ 11,480.00	$ 8,576.00	$ 2,904.00

4TH Qtr Cost Differential $ 2,904.00
Year-to-Date Differential $ 2,904.00

Total cost differential for all three areas above

4TH Qtr Cost Differential	$ 56,840.00
Year-to Date Differential	$ 113,639.00

D. CUMULATIVE INFORMATION

4TH Qtr Total Cumulative Volume of Make/Buy Awards	$ 1,173,083.00
4TH Qtr Total % Awarded to In-house	85% (993,357)
Cumulative Volume of Make/Buy Awards Since Start of M/B Program	$ 5,408,049.00
Total % Awarded to In-House Since Start of M/B Program	65% (3,520,685)

Cumulative Differential of Make/Buy

Fiscal Year 1990-91	$ 433,294.00
Fiscal Year 1991-92	$ 206,035.00
Fiscal Year 1992-93	$ 334,310.00
Fiscal Year 1993-94	$ 113,639.00
Total	$1,087,278.00

Note: Bid figures include applicable administrative surcharges.

** The Building Services procurement was procured through the Request for Proposal process utilizing competitive negotiations. The Selection Committee considered all weighted criteria and selected the most qualified service provider. The most qualified provider did not offer the lowest cost proposal.

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Partnering for Successful Service Contracting

Thomas E. Harkenrider

> When we choose to live by the spirit rather than the letter of the law—offering our hand and word as our bond—we distinguish ourselves. When we don't, we give up treasured values and mirror the dark, litigious side of construction.
> —*Engineering News Record*, February 1, 1991.

Partnering is to contracting as high involvement theory is to management, as TQM is to customer service, as sizzle is to steak. There are about as many builders with partnering programs as vendors with TQM programs. This means that partnering is a marketing prerequisite, and as long as the courtroom remains part of the contracting process, partnering will be perceived only as a fad. Fortunately, success stories are starting to surface that indicate that partnering has taken hold as a promising strategy.

Partnering, simply stated, indicates an agreement between the facilities manager and the contractor to work together to avoid conflicts that can lead to costly litigation. In the partnering process, both parties sign an agreement to assist each other in fulfilling their responsibilities. To be effective, the agreement must include a process for preventing disputes.

Though it sounds simple, to truly understand partnering and put it to work requires changing the existing culture. An effective partnership between a facilities department and a provider of goods and services requires the elimination of communication barriers. When problems occur, both sides must be willing to talk about solutions, not who is to blame.

Remember hearing about the days when the town folk would all pitch in and build a one-room school house? That was partnering. Business was done with a handshake, and lawyers stuck to the task of putting bank robbers behind bars, not contractors into bankruptcy.

Stephen R. Covey articulates partnering in a number of his writings when he addresses the concept of "principle-centered leadership." In order for people to interact as a team, they must possess certain principles. In his book *The Seven Habits of Highly Effective People* (1989), he describes how to achieve a level of "interdependence" with others.

According to Dennis Dalton, author of *Security Management: Business Strategies for Success* (1994), partnering is a business relationship. It is different from the traditional buyer/seller relationship, because it does not foster an adversarial relationship, but rather, serves as a bridge between the "preferred vendor" and "strategic alliance" relationships. He defines such a partnership as "the arrangement between two or more companies seeking a long-term working relationship that provides shared benefits to the mutual satisfaction of the parties in terms of creating value, long-term business growth, continuous improvement, problem resolutions, and information access."

This definition requires a shift away from the traditional adversarial buyer/seller paradigm. Traditionally, the contractor is expected to try to cut corners without being caught, and the owner is expected to be on the lookout for this. The owner is then fixated on finding such deficiencies and pointing the finger at the contractor. The contractor plays the same role by finding problems in the owner's design and capitalizing on the change order game. Since the partnering approach concentrates on catching someone doing something right instead of something wrong, the buyer/seller mold is broken and the paradigm shift occurs.

THE PRINCIPLES OF PARTNERING

The foundation of any successful partnering relationship is the code of conduct required for good teamwork. In many respects it is like the Golden Rule: "Treat others as you would like to be treated yourself." Unfortunately, this adage has been trans-

formed by a litigious society into "those who have the gold, rule." When owners and contractors behave ethically and morally, neither have a need to go to court.

Ethical and moral behavior can be easily comprised during tough times when contractors are going broke and owners are struggling to do more with less. That is why the "code of conduct" portion of a partnering agreement is so important.

According to "Partnering, a Concept for Success," published by the Associated General Contractors of America, there are seven key elements involved in partnering, the first three of which are character traits, or principles. These are: (1) commitment, (2) equity, and (3) trust. If one can establish these, the next four fall into place. They are: (4) development of mutual goals and objectives, (5) implementation, (6) continuous evaluation, and (7) timely responsiveness.

Commitment is critical to the success of any relationship, both inside and outside of the workplace. In order to decide if a partnering relationship can be achieved, one has to determine if there exists the willingness and ability to make and keep promises to one another. The project team must have the support from upper management in order to be able to make and keep promises. In a heavily controlled bureaucratic environment this first principle could easily become an immovable barrier. For example, college and university administrations go to great length to prevent those closest to the work from making commitments without extensive administrative review and approval. Many contracting firms tout partnering in their marketing departments, but practice profit maximization in their financial departments. After all, isn't the objective of any corporation to maximize ownership wealth? When this edict is passed along to the field managers, they are hard pressed to be in a position to make the type of commitments required in a team-minded partnering agreement. The fact is that team-minded commitments are not possible when all the owner and contractor have known for years is that ninety-nine cents is less than a dollar.

Equity and *trust* are the next two principles that are mentioned. They go hand in hand since money is involved. Both the owner's and contractor's representatives are expected to

make the best possible use of other people's money. Therefore, I would modify these principles to read *trust but validate.*

PARTNERING AS A PURCHASING PRACTICE

Partnering, if thought of as a concept and principle, can be applied to almost any outsourced service. In the broadest sense it can also be applied to interpersonal relationships, since it is the people involved who are empowered to make it work. The key to sustaining a partnering relationship is commitment. The silent saboteur is complacency. Mac MacDonald, president of LYFE Organizational Enhancement Company, writes about commitment and complacency in his seminar material "Navigating the Seven C's." He contends that in order to change (another "C" word), we have to commit. While making a stop in San Diego, Mac came by my office and wrote on my whiteboard: "There are three kinds of people on this planet: Those who make things happen, those who watch things happen, and those who say 'what happened?' Commit!"

If both owner and vendor (buyer and seller) want to enjoy the benefits of a partnering relationship, they need to first make a conscious commitment to do so, set up a trust-but-validate mechanism, then everything else should become secondary. The following case study illustrates this point.

Case Study 1: Salk Institute Security Services

In the Appendix is the Salk Institute's RFP for security services. It includes elements of the Baldrige Award, a concept endorsed by the U. S. Department of Commerce.

An article in the July 1994 issue of *Quality Digest*, titled "Partnering: The New Paradigm?", noted that Malcolm Baldrige National Quality Award criteria are now being used by such service companies as Metropolitan Life Insurance Company and Tennessee Valley Authority for their development of quality-driven supplier relationships.

Certainly not all vendors or service providers could respond to such a rigorous request, but it was felt that the security services category could and should, given the nature of the service.

The results were outstanding. Over ten companies responded and most praised the effort, regardless of the final outcome.

The companies that scored the highest also commented that they were glad somebody was finally interested in their commitment to teamwork and customer service.

The company that was selected was, coincidentally, written about by Tom Peters in his book *Liberation Management* (1992), where he referred to them as the "Tiffany's of the security business." Peters quotes the company's owner as saying, "quality should not be considered a relative concept by building owners, but an absolute." Peters speaks of commitment by stating, "even the largest corporations would be hard pressed to make this kind of commitment to their own security operatives."

The lesson learned from this case study is to find a service provider with demonstrated teamwork and commitment qualities, then the partnering concept can easily be applied.

Although this particular company is performing exceptionally at this time, I also keep in touch with the company who ranked just behind them, and they know it. They even encourage it. They know I trust, but I also validate!

Another element of validation in this type of RFP process is that of complete cost disclosure. This allows the owner to validate and compare cost of services from a quality-minded perspective. For example, the security service companies were asked to provide to an independent security consultant proprietary and confidential information about the makeup of their proposed hourly rates. For example, what amount did the company intend to invest on employee screening, training, orientation, and retention over and above their stated overhead and profit margin.

This information was extremely revealing and confirmed the validity of the final rankings. The companies that demonstrated the greatest amount of commitment to employee retention had the highest proportional amounts of screening and training dollars built into their base rates, along with the better benefits packages. The disclosed profit margins between the companies, however, contained very little variance. So what was being demonstrated was that this process was competitive and value-driven.

The question then arises, is a value-driven supplier selection process truly affordable? If one believes in the adage, "you get

what you pay for," the answer is "yes." The key to success remains with the owner's ability to make sure that once the services are received, one is actually gets what one is paying for. The old trust but validate theme again.

This approach, however, could be disastrous in an organization that manages service contracts such as elevator maintenance or custodial services only through a purchasing department because personnel in this area lack sufficient expertise to adequately evaluate these services. On the other hand, if a professionally trained and experienced person is allowed the administrative latitude or is "empowered" to creatively and innovatively manage the service contracts, the incremental costs will be overwhelmingly dissolved by the benefits. For example, the benefits of high quality security services are a low crime rate and staff productivity from working in a safe and secure environment. Another example that deals with the "can we afford it" issue is connected with the East Building Project case study.

Case Study 2—The Salk Institute East Building Project

The objective of this project was to select a general contractor that would provide in turn, subcontractors that offered claim-free construction practices. There were only three requirements for this project: (1) No litigation, (2) no litigation, and (3) no litigation. The RFP expressed a commitment to teamwork and there was specific language used to determine if the respondents could carry out this commitment. There were over twenty respondents, all of whom had partnering programs of one form or another. The principle of trust but validate went into practice as soon as the RFP responses were evaluated. We trusted that the information was correct, but we also had mechanisms to validate whether it was merely anecdotal or fully indicative of regular practice.

Although the project is still under construction at the time of this writing, it has become a model for the partnering concept. This is largely due to the interactive involvement of a full-time professional construction manager. This person facilitates the teamwork among the architect, contractor, and owner through the trust but validate principle. The team can afford

to trust and respect one another's interests, since the construction manager will diligently validate cost and quality decisions.

The project team also took the partnering concept to a new level by basing the relationship on principle and without the need for paper. Such requirements as goals and objectives and continuous evaluation were substituted with a simple motto, "Optimize, not compromise," as suggested the institute's founder, Dr. Jonas E. Salk. Out of this idea came the practice of timely responsiveness and too many other attributes to include in this writing.

The subcontractors, carpenters, and laborers adopted a similar and even more intense spirit of teamwork that is producing quality workmanship far beyond what was specified. As the RFP states, this contract was a "guarantee maximum price, cost accrued" type of agreement. Since it was also an "open book" type of agreement, with the subcontractors bidding to the general contractor, the costs were optimized. Specifically, only the best prices and most reputable subcontractors were chosen. Final subcontractor "buy out" (final price negotiated after initial guaranteed maximum price is established) offered an additional pool of funds in the contractor's contingency budget. The contract contains a shared-savings incentive clause so that both the owner and and contractor benefit from cost-conscious decisions throughout the project.

One such decision was to allow for flexibility in performing the architectural concrete work. Some of the contractor contingency budget was dedicated to the production of experimental mock-ups of concrete panels. The end result of this experimentation was a concrete finish of such fine quality that it was suitable as an interior wall finish. This innovative process eliminated the need for many interior wall components and finishes, resulting in a net savings. On a cost-per-surface-square-foot basis, the savings actually exceeded the same unit labor cost of the concrete walls. In essence, we received more for less. Ninety-nine cents is not always less than a dollar when the return on investment exceeds 100 percent.

CONCLUSION: THE PRACTICALITY OF PARTNERING

It would be just as valid to present quotes and case studies that argue against the practicality of partnering. There is significant value in learning from others' mistakes. The most common arguments I have heard against partnering concern either money or people. For example, "We went through that whole partnering process and everything was going well until we initiated a change order. Then we were basically told that all bets are off and got gouged. We wound up firing the contractor." In this case the contract was a lump sum, low-bid type and the contractor had established comfortable ties to the university's senior administration. The physical plant director had good intentions with the partnering effort, but the traditional buyer/seller environment made this effort destined to fail. Another university is struggling with partnering, not because the architects and contractors are not on board, but because the university representatives are still perceived to be the same adversarial knuckleheads they always were. Lip service partnering is doomed to failure as well.

In the case of the security services partnering effort, some companies found it difficult to believe that the owner wanted to know about their profit margin in order to protect it through contract negotiations. Since when do buyers want to make sure that the seller makes a profit? This concept may be too novel for many service providers to overcome.

Despite all that has been written about the success of the Arizona Department of Transportation's (ADOT) partnering efforts, there are still those who believe this "soft and touchy-feely" approach to doing business compromises quality. Further investigation reveals that these criticisms often come from those inadvertently left out of the partnering process. In this case, an inspector. The lesson to be learned here is high inclusion. Involve everyone possible. One indicator of success is that ADOT has partnered on nearly 100 projects worth $300 million and has had no claims in the process!

Just as there will always be naysayers and people who can brighten up a room just by leaving it, there will always be those who personify the concept of continuous improvement by looking for a better way—those who can turn mere prose into

poetry. If the buyer and seller think they fit that mold, partnering is the next step toward quality and away from the courthouse.

The Salk Institute for Biological Studies

REQUEST FOR PROPOSAL

Security Services

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San Diego, California 1993

REQUEST FOR PROPOSAL

This Request for Proposal is part of a competitive procurement process which helps to serve the best interests of the Salk Institute. The Request for Proposal format is being used in this request rather than the "Request for Quotation." The "Request for Quotation" (Bid) format is used when goods or services being procured can be precisely described. Price is generally the determining factor in the award. With a Request for Proposal, price may or may not be the determining factor. The award will be made to the vendor (company) whose proposal is determined to be the most advantageous to the Salk Institute, taking into consideration the evaluation factors set forth in the Request for Proposal.

This Request for Proposal states the instructions for submitting proposals and the procedure and criteria by which a vendor (company) may be selected.

In order to maintain consistency with the mission of excellence in all areas of activity at The Salk Institute, the Department of Facilities Management looks toward programs that facilitate the accomplishment of excellent service to its external and internal customers. One such program is the Malcolm Baldridge National Quality Award, created by Public Law 100-107, signed into law on August 20, 1987.

Applicable Findings and Purposes Section of Public Law 100-107 states that:

1. In order to be successful, quality improvement programs must be management-led and customer-oriented, and this may require fundamental changes in the way companies and agencies do business.

2. several major industrial nations have successfully coupled rigorous private-sector quality audits with national awards giving special recognition to those enterprises the audits identify as the very best; and

3. a national quality award program of this kind in the United States would help improve quality and productivity by:

   A. helping to stimulate American companies to improve quality and productivity for the pride of recognition while obtaining a competitive edge through increased profits;

   B. recognizing the achievements of those companies that improve the quality of their goods and services and providing an example to others;

   C. establishing guidelines and criteria that can be used by business, industrial, governmental, and other organizations in evaluating their own quality improvement efforts; and

   D. providing specific guidance for other American organizations that wish to learn how to manage for high quality by making available detailed information on how winning organizations were able to change their cultures and achieve eminence.

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Just as the Facilities Management Department is utilizing the Application Guidelines for the Malcolm Baldridge National Quality Award as one of its road maps toward providing service excellence, the businesses that also provide contract services to the Institute should be working toward achieving similar objectives. To that end, portions of the 1991 Application Guidelines will be applied to this request for proposal and are included as factors in the selection and award process. Since some of the information requested could be classified as sensitive and proprietary, the Salk Institute will treat all submittals as confidential documents with select distribution.

Submittal Process

1. All businesses that have taken the initiative to inform the Salk Institute Purchasing Department or Facilities Management during the last 12 months will be sent a proposal package, plus additional packages will also be sent to businesses if needed to ensure competitiveness.

2. Responses shall be submitted in two sealed envelopes. One will contain the response to the proposal questions and requirements.

   A separate and sealed envelope should contain pricing information pertinent to rates in accordance with the security company's billing structure.

3. A mandatory pre-proposal conference is scheduled for Thursday, September 10, 1992 at 2:00 p.m. and participating firms will be notified prior to submittal date. All questions should be addressed to Tom Harkenrider, (619) 453-4100, ext. 432.

Issuance of Request for Proposal and Questions

The office for this Request for Proposal is:

Facilities Management Department
The Salk Institute
10010 No. Torrey Pines Road
La Jolla, California 92037
Phone: (619) 453-4100

Submission of Proposals

Each vendor (company) responding to this Request for Proposal shall submit the proposal to the Facilities Management Department office by 2:00 p.m. on October 1, 1992, at the Salk Institute.

Oral Presentation

An oral presentation by one or more vendor (company) may be required after written proposals are received by the Institute. If the Institute feels that a presentation is needed, the Facilities Management office will schedule a time and date.

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Method of Award of Contract

The Salk Institute will carefully evaluate all proposals received. The proposal that is determined to be the most advantageous to the Salk Institute, taking into consideration the evaluation factors (criteria) set forth in the Request for Proposal. Companies will be accorded fair treatment with respect to any opportunity for discussion of their proposal.

The Salk Institute reserves the right to reject any or all proposals received. Non-acceptance of a proposal will mean that one or more of the proposals were deemed to be advantageous to the Salk Institute or that all proposals were rejected.

The contractor must demonstrate that they are duly licensed by whatever state or local regulatory body may so require.

1. Contractor shall furnish certificates of insurance.
2. Comprehensive general liability.
3. Workers compensation.

Indemnification/Hold Harmless Clause

Contractor shall indemnify, defend and save harmless the Institute, from any and all claims, demands, suits, actions, proceedings, loss, cost, and damages of every kind and description, including attorney's fees and/or litigation expenses, which may be brought or made against or incurred by the Institute on account of loss of or damage to any property or for injuries to or death of any person, by reasons of any act, omission, professional error, fault, mistake, or negligence of contractor, it's employees, agents or representatives in connection with or incident to the performance of this Agreement, or arising out of Workers' Compensation claims, unemployment compensation claims, or unemployment disability compensation claims of employees of contractor and/or its sub-contractors or claims under similar such laws and obligations.

Submit Information Pertaining to the Following Subjects:

1.1 QUALITY VALUES *(25 pts.)*

Describe the company's quality values, how they are projected in a consistent manner, and how adoption of the values throughout the company is determined and reinforced.

Address: Brief summary of the content of policy, mission, or guidelines that demonstrate the company's quality values.

1.2 PUBLIC RESPONSIBILITY *(25pts.)*

Describe how the company extends its quality leadership to the external community and includes its responsibilities to the public for health, safety, environmental protection, and ethical business practice in its quality policies and improvement activities.

Address: How the company promotes quality awareness and sharing with external groups. Groups may include national, state, community, trade, business, professional, education, health care, standards, and government organizations.

2.1 QUALITY GOALS AND PLANS *(25 pts.)*

Summarize the company's goals and strategies. Outline principal quality plans for the short term (1-2 years) and longer term (3 years or more).

Address: A two- to five-year projection of significant changes in the company's most important quality levels. Describe how these levels may be expected to compare with those of key competitors over this time period.

3.1 EMPLOYEE INVOLVEMENT *(50 pts.)*

Describe the means available for all employees to contribute effectively to meeting the company's quality objectives; summarize trends and current levels of involvement.

Address: Management practices and specific mechanisms, such as teams or suggestion systems, the company uses to promote employee contributions to quality objectives, individually and in groups. Summarize how and when the company gives feedback.

3.2 QUALITY EDUCATION AND TRAINING *(50 pts.)*

Describe how the company decides what quality education and training is needed by employees and how it utilizes the knowledge and skills acquired; summarize the types of quality education and training received by employees in all employee categories.

Address: Summary and trends in quality education and training received by employees. (1) Average hours of quality education and training annually per employee; (2) per cent of employees who have received quality education and training. Safety and CPR training will be required of all security officers assigned to this account.

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3.3 EMPLOYEE RECOGNITION AND PERFORMANCE MEASUREMENT *(25 pts.)*

Describe how the company's recognition and performance measurement processes support quality objectives; summarize trends in recognition.

Address: How recognition, reward, and performance measurement for individuals and groups, including managers, supports and company's quality objectives; key indicators the company uses to evaluate and improve its recognition, reward, and performance measurement processes.

3.4 EMPLOYEE WELL-BEING AND MORALE *(25 pts.)*

Describe how the company maintains a work environment conducive to the well-being and growth of all employees; summarize trends and levels in key indicators of well-being and morale.

Address: Trends and levels in key indicators of well-being and morale, such as safety, absenteeism, turnover, attrition rate for customers, contact personnel, satisfaction, grievances, strikes, and worker compensation. Supply one complete employee orientation and benefit package.

4.1 DETERMINING CUSTOMER REQUIREMENTS AND EXPECTATIONS *(25 pts.)*

Describe how the company determines current and future customer requirements and expectations.

Address: Such information and data might include performance information on the company's services, complaints, gains and losses of customers, customer satisfaction, and competitors' performance.

4.2 CUSTOMER RELATIONSHIP MANAGEMENT *(50 pts.)*

Describe how the company provides effective management of its relationships with its customers and uses information gained from customers to improve products and services as well as its customer relationship management practices.

Address: Principal factors the company uses to evaluate it's customer relationship management, such as response accuracy, timeliness, and customer satisfaction with contacts. Describe how the factors or indicators are used to improve training, technology, or customer-oriented management practices.

4.3 CUSTOMER SERVICE STANDARDS *(25 pts.)*

Describe the company's standards governing the direct contact between its employees and customers and how these standards are set and modified.

Address: How well-defined service standards to meet customer requirements are set. List and briefly describe the company's most important customer service standards. Supply current customer service guarantee.

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4.4 COMPLAINT RESOLUTION FOR QUALITY IMPROVEMENT *(25 pts.)*

Describe how the company handles complaints, resolves them, and uses complaint information for quality improvement and for prevention of recurrence of problems.

Address: How the company ensures that complaints are resolved promptly and effectively, include (1) trends and levels in indicators of response time; and (2) trends in per cent of complaints resolved on first contact with customer contact personnel.

4.5 DETERMINING CUSTOMER SATISFACTION *(25 pts.)*

Describe the company's methods for determining customer satisfaction, how satisfaction information is used in quality improvement, and how methods for determining customer satisfaction are improved.

Address: How the company evaluates and improves it's overall methods and measurement scales used in determining customer satisfaction and customer satisfaction relative to competitors.

4.6 CUSTOMER SATISFACTION RESULTS *(75 pts.)*

Summarize trends in the company's customer satisfaction and in indicators of adverse customer response.

Address: Trends and current levels in major adverse indicators. Adverse indicators include complaints, claims, refunds and repeat services.

4.7 CUSTOMER SATISFACTION COMPARISON *(75 pts.)*

Compare the company's customer satisfaction results and recognition with those of competitors that provide similar products and services.

Address: Surveys, competitive awards, recognition and ratings by independent organizations, including customers.

CONTRACT SECURITY SERVICES

Proposal Analysis Procedures

Each response section has been assigned a maximum number of points. Evaluation will be based on a combination of three elements: Approach, Deployment, and Results. The degree to which points are awarded will depend upon the level of accomplishment expressed in the responses. For example, if the approach seems very thorough, but the deployment lacks consistency or has no review and revision processes, results could be marginal and the overall score would be partial. The objective is to give credit for not only the activity, but the relative success of the activity.

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SCORING SYSTEM

Approach

"Approach" refers to the methods the company uses to achieve the purposes addressed in the RFP items. The scoring criteria used to evaluate approaches include one or more of the following:

- The degree to which the approach is prevention-based, i.e. proactive as opposed to reactive.
- The appropriateness of the tools, techniques, and methods to the requirements.
- The effectiveness of the use of tools, techniques, and methods.
- The degree to which the approach is systematic, integrated, and consistently applied.
- The degree to which the approach embodies effective evaluation/improvement cycles.
- The degree to which the approach is based upon quantitative information that is objective and reliable.
- The indicators or unique and innovative approaches, including significant and effective new adaptations of tools and techniques used in other applications or types of businesses.

Deployment

"Deployment" refers to the extent to which the approaches are applied to all relevant areas and activities addressed and implied in the Examination Items. The scoring criteria used to evaluate deployment include one or more of the following:

- The appropriate and effective application to all product and service characteristics.
- The appropriate and effective application to all transactions and interactions with customers, suppliers of goods and services, and the public.
- The appropriate and effective application to all internal processes, activities, facilities, and employees.

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Results

"Results" refers to outcomes and effects in achieving the purposes addressed and implied in the Examination Items. The scoring criteria used to evaluate results include one or more of the following:

- The quality levels demonstrated.
- The contributions of the outcomes and effects to quality improvement.
- The rate of quality improvement.
- The breadth of quality improvement.
- The demonstration of sustained improvement.
- The significance of improvements to the company's business.
- The comparison with industry and world leaders.
- The company's ability to show that improvements derive from their quality practices and actions.

SCORING GUIDELINES

SCORE	APPROACH	DEPLOYMENT	RESULTS
0%	Anecdotal, no system evident.	Anecdotal.	Anecdotal.
10-40%	Beginnings of systematic prevention basis.	Some to many major areas of business.	Some positive trends in the areas deployed.
50%	Sound, systematic prevention basis that includes evaluation/improvement cycles. Some evidence of integration.	Some to many major areas of business.	Some positive trends in most major areas. Some evidence that results are caused by approach.
60-90%	Sound, systematic prevention basis with evidence of refinement through evaluation/improvement cycles. Good intentions.	Most major areas of business. Some support areas.	Good to excellent in major areas. Positive trends from some to many support areas. Evidence that results are caused by approach.
100%	Sound, systematic prevention basis refined through evaluation/improvement cycles. Excellent integration.	Major areas of business. From some to many support areas.	Excellent (world class) results in major areas. Good to excellent in support areas. Sustained results. Results clearly caused by approach.

CATEGORIES AND ITEM SUMMARY

Examination Categories/Items		Maximum Points
1.0	**Leadership**	**50**
1.1	Quality Values	25
1.2	Public Responsibility	25
2.0	**Strategic Quality Planning**	**25**
2.1	Quality Goals and Plans	25
3.0	**Human Resource Utilization**	**150**
3.1	Employee Involvement	50
3.2	Quality Education and Trailing	50
3.3	Employee Recognition and Performance Measurement	25
3.4	Employee Well-Being and Morale	25
4.0	**Customer Satisfaction**	**300**
4.1	Determining Customer Requirements and Expectations	25
4.2	Customer Relationship Management	50
4.3	Customer Service Standards	25
4.4	Complaint Resolution for Quality Improvement	25
4.5	Determining Customer Satisfaction	25
4.6	Customer Satisfaction Results	75
4.7	Customer Satisfaction Comparison	75

CONTRACT CONDITIONS

Image

Courtesy and professional image are of the utmost importance. Rude or unprofessional behavior will not be tolerated and considered grounds for termination of contract.

Dependability

Absenteeism and turnover are critical issues in this contract. Annual turnover will be considered excessive if above 25%. A pre-determined relief crew shall be utilized to accommodate vacation and sick leave not to exceed 15% or paid benefit level, if greater.

Staff Selection

All staff assigned to this contract will be endorsed by the management of the Facilities Management Department prior to placement. They will be interviewed by the Salk Security Manager, along with the security company's customer service representative for the purpose of finding out how well the people are oriented to procedures, satisfied with their employment, and oriented toward customer service. Any staff that the owner considers to be deficient with respect to performance or behavior shall be removed for cause at owner's request.

Cultural Diversity

Staff assigned to the Institute will be representative of the gender and ethnicity as represented in the community. Finalist shall be expected to submit intended ethnicity and gender mix.

Persons with disabilities shall also be represented insofar as reasonable accommodations can be made by the company to allow them to perform their duties.

Billing

Invoices shall be submitted in an accurate, detailed, timely manner at a frequency no greater than bi-weekly. Security company shall appoint or designate a single contact person for all financial activities.

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SCOPE OF DUTIES, POLICIES & PROCEDURES

INTERNAL SECURITY OFFICER - Post Orders

There is one Internal Security Officer on duty at all times (Post #1). The Internal Security Officer assigned to the weekday day shift is the Post Commander. The Post Commander is held accountable for the performance of all contracted security officers at the Institute.

The Internal Security Officer during each shift is held accountable for the performance of the External Security Officers during that shift.

Officers reporting for duty will receive keys, radios, special equipment, and special orders of the day from the off-going officer. The oncoming officer will immediately perform an inventory and an operational check of all security equipment. Any equipment problems will be brought to the attention of the engineering office.

The Internal Security Officer's responsibilities are to:

Maintain the internal security of the main Salk Institute complex. He will make rounds throughout the complex on a regular basis, but will spend the majority of the shift surveying the main courtyard. This is particularly true during normal working hours, so that visitors can be promptly and courteously greeted.

Perform CARDOX tank readings on the first round of each shift. (See Special Instructions.)

Open and close all entrances, gates and doors, according to the approved schedule. (See Special Instructions.)

Raise and lower the flag, according to the shift instructions.

Assist the Salk Watch Engineer whenever called upon. The Watch Engineer is a 24 hour/day Salk employee who can be relied upon for advice, and who is responsible for the overall safety of the facility. The Watch Engineer can be contacted after hours on the security radios, or can be found in the mechanical room.

Keep the Salk Security Supervisor informed of all security matters, including, if necessary, phone calls to his home.

Perform minor clean-up of litter, particularly on guard posts. Report major litter problems to the Facilities Management office.

Relieve External Security Officers for breaks and meal periods.

Make Detex clock rounds hourly.

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INTERNAL SECURITY OFFICER - Shift Instructions

0700 TO 1500 WEEKDAYS

This officer will schedule his patrol rounds so that he is available at the courtyard most of the time. He will greet visitors, welcome employees, and monitor events inside the Salk complex. Specific responsibilities of this shift are:

Receive and deliver the morning newspapers.

Raise the flag at sunrise, except in inclement weather.

Check Voice Mail.

Call 300 line to record date, time and year.

Unlock the main gates at 0700.

Report to the Salk Security Supervisor each afternoon to update him on security matters.

1500 to 2300 WEEKDAYS

This officer will be available at the courtyard most of the time from 1500 to 1800. After 1800, he will perform continual patrols to maintain internal security. The patrols will include at least hourly checks of all gates, outside doors, security terminals, pipe spaces, lab levels (exterior only), and the Voice Mail. Specific responsibilities of this shift are:

Test the Emergency phone system every day at 1800. Dial 300 on the Security Desk telephone, and verify that the calls ring through to your radio, allowing two-way communication between the phone and the radio. If this system is not functioning, immediately notify an appropriate Salk authority.

Lock the main gates, the Receiving Yard gate, and the Loading Dock screen at 1800.

Lower the flag at sunset.

Make hourly Detex clock rounds.

Check Library (all three levels).

2300 to 0700 WEEKDAYS

This officer will perform continual patrols to maintain internal security. The patrols will include at least hourly checks of all gates, outside doors, security terminals, pipe spaces, lab levels (exterior only), and the Voice Mail. Specific responsibilities of this shift are:

Unlock the Receiving Yard gate and the Loading Dock screen at 0600.

Raise the flag at sunrise.

Make hourly Detex clock rounds.

Check Library (all three levels).

ALL SHIFTS - WEEKENDS AND HOLIDAYS

This officer will perform continual patrols to maintain internal security. The patrols will include at least hourly checks of all gates, outside doors, security terminals, pipe spaces, lab levels (exterior only) and the code-a-phone.

Specific responsibilities for this shift are:

Do NOT sign for receipt of any other goods unless special arrangements have been made by the Receiving Yard supervisor. For more details on deliveries, see special instructions.

Make hourly Detex clock rounds.

Contracted Custodial Services at Butler University

Michael Gardner

Butler University is a private, liberal-arts based, comprehensive university. It consists of five colleges, including liberal arts and sciences, education, business, pharmacy, and the Jordan College of Fine Arts. It is located in the north-central part of Indianapolis, Indiana, making it a popular choice for students looking for a small, private school in a large metropolitan city.

While custodial services have been contracted since 1980, their delivery has not been without its difficulties. This chapter will focus on Butler's contracted custodial services history from 1989 to the present, a period in which the contract was reopened for bidding twice. However, in trying to put matters into perspective, I will summarize the 1980 decision to switch from an in-house operation to that of contracted services.

A new vice president for finance and administration arrived on the Butler campus in 1979. He made the decision to eliminate the unproductive in-house custodial operation in the two residence halls. The firm selected at that time performed adequately and, after only three months of service, the remaining in-house staff was let go and the contractor was asked to provide services for the entire campus. It was at this point that Butler entered into an era of contracted custodial services that continues today. The decision at that time was based not so much on financial issues, but more on a lack of performance by the existing staff and an overall need for dramatic changes in physical plant services. Ironically, the change of contractors in 1993 was due to similar reasons. That contractor, the same firm hired in 1980, did not keep up with the increased expec-

tations of our customers—the faculty, staff, and students of Butler University.

DIFFICULTIES WITH THE EXISTING CONTRACTOR

In April 1989, the board of trustees appointed the university's seventeenth president. The new president brought a new vision to Butler, a vision of increased enrollment, an improved physical plant, and most of all, a focus on the residential undergraduate student. Historically, Butler was a commuter campus, with many parking lots and little to no emphasis on residence life. The custodial contractor, the same firm hired ten years earlier, was doing an adequate job of meeting people's expectations, which were typical of an academic institution of its size.

In order to become an exceptional institution and increase enrollment, Butler needed to make some dramatic changes, not only in its physical plant, but in the entire mindset of its faculty, staff, and students. The president accomplished this by hiring prominent new faculty, developing new academic and athletic programs, completely overhauling the student affairs area, building a new residence hall, and mandating many other improvements to the physical plant, including the vacation of a major thoroughfare and subsequent creation of a pedestrian mall.

The facilities management department, which administers the custodial contract, is also responsible for the completion of all capital improvement projects. And, as at most small private schools, the staff wear many hats. With the focus on capital improvements from 1989 through 1992, we did not do a good job of making sure that the specifications of the custodial contract were being met on a day-to-day basis. The firm's contract manager was doing a good job of heading off customer complaints, and therefore, we were not aware of, nor could we respond well to, many of the problems that were brewing.

In their thirteen years on the Butler campus, the contracting firm, a regional firm that contracts exclusively with colleges and universities, was fair with us in their annual increases. Around 1991, however, we began to feel that we were not getting what we were paying for, especially in light of the fact that we

were doing our best as a department to increase our levels of service quality to our customers.

We began getting calls from areas that had not received custodial services for days at a time. When asked, the contract manager told us that he had pulled people out of the academic buildings in order to get the residence halls ready for the upcoming school year, because he didn't have enough people! The contract was based upon forty FTE, but in checking the personnel rosters, we found that the workforce was closer to thirty-two or thirty-three FTE. In short, we *weren't* getting what we were paying for. After digging deeper into the situation, we found out that the contract manager had never been shown the frequency levels specified in the contract.

It should be noted that we, as the owner, should have checked into this long before we did. I raise the point because it is absolutely critical to be a good owner when dealing with a contract of this nature and scope. Even though it is a contract service, this does not mean that you can simply let an outside firm go about its business without some system of checks and balances. These checks and balances can easily be included in the specifications of the contract. It is also important to realize from the beginning that a contractor is in business to make money. A good owner knows this and will develop good specifications and a contract that both provides the needed services and allows the contractor to make a fair profit.

THE SEARCH FOR A NEW CONTRACTOR

With the increasing number of complaints and problems, we began to consider going back in-house with our custodial operation. The assistant director of facilities management attended a seminar in 1991 to develop a better sense of what the school needed with respect to frequencies of service and the corresponding FTE requirements to meet our customers' heightened expectations. The seminar provided us with the tools to present a comprehensive make-or-buy analysis to the senior administration.

Knowing that we needed to increase our frequency of service in many areas, but simply maintain the current level of service in others, we determined a minimum staffing requirement of forty-six FTE (see Figure 1). We then put together the additional

costs of an in-house operation (see Figure 2). As you can see, the analysis revealed a significantly higher cost for an in-house operation compared to that of our existing contract. The two major reasons for the higher cost were start-up costs and the additional staffing required to maintain an operation of forty-six people. Even though we could amortize the cost of all of the equipment, it was not enough to offset the costs of additional supervisory staff, support staff, and cleaning supplies. We knew that we would have a difficult time selling an in-house operation to the senior administration, but at least we knew we needed to increase the staffing requirements within the contract.

In addition to the "hard costs," it is important to also consider what we call "the intangibles." The positive intangibles include pride and ownership of work, flexibility and control of the workforce, increased levels of service, and improved quality of life for the employees who, with a contractor, are typically not provided with health insurance coverage. The negative intangible, which was calculated to a certain extent, is the administrative burden of a typically unskilled labor pool where turnover is inherently very high. These intangibles are issues you must evaluate at the time of your analysis but, it is important to make the decision based upon all factors. One factor may weigh more heavily than others in your particular situation, but they must all be considered nonetheless.

In the spring of 1992, the vice president for finance retired without responding to our analysis. We then decided to extend the existing contract for one more year with the current firm, delaying our decision by one more year. However, we communicated to the contractor that we were going to rebid the contract for the 1993-94 fiscal year. We also let them know that we were considering the possibility of going in-house, in hope that this would encourage them to increase their staffing levels and improve their service. We would find out later that this did not happen.

Shortly after our new and current senior vice president for finance and administration arrived in October of 1992, we presented our make-or-buy analysis to him. However, because of a smaller fall enrollment than expected and a subsequent budget decrease, we were compelled to continue with con-

FIGURE 1
Minimum Staffing Requirements for an In-House Operation

ACCOUNT	BUILDING	GROSS SQ. FT.	CLEANABLE SQ. FT.	LEVEL II MANPOWER	LABOR @ $6.00	LABOR @ $5.50	BASE CONTRACT
17800	Jordan	186,800	118,573	7.35	$105,946	$105,946	$168,600
17805	Irwin	72,000	58,340	3.17	$49,848	$45,694	$35,700
17810	Gallahue	119,066	87,761	5.21	$81,926	$75,099	$65,360
17815	Pharmacy	49,546	36,289	2.24	$35,224	$32,288	$23,800
17820	Lilly	76,342	47,914	3.06	$48,118	$44,108	$41,600
17825	Observatory	5,900	5,900	0.42	$6,604	$6,054	$0
17830	Atherton	52,717	24,885	1.75	$27,518	$25,225	$27,500
17831	Health Center	2,589	2,589	0.38	$5,975	$5,477	$11,900
17852	Garden House	2,353	2,353	0.17	$2,673	$2,450	$0
17855	HRI	85,309	45,499	3.04	$47,803	$43,820	$35,700
17865	Annex	5,600	5,600	0.33	$5,180	$4,748	$3,650
17875	Service Center	32,000	16,000	1.00	$15,725	$14,414	$14,000
17880	Fairbanks	8,300	8,300	0.50	$7,862	$7,207	$8,200
17900	Ross	122,500	37,963	5.10	$80,196	$73,513	$76,720
17905	Schwitzer	118,283	37,190	4.77	$75,007	$68,757	$88,000
17910	Robertson	32,902	20,241	1.32	$20,757	$19,027	$29,700
17915	Resco	166,000	39,000	2.77	$43,558	$39,928	$52,600
19910	Carter House	3,500	3,500	0.30	$4,717	$4,324	$3,200
17860	Clowes	83,450	61,163	3.98	$62,585	$57,369	$42,000
	TOTALS	1,225,157	659,060	46.86	$736,855	$675,450	$728,230

FIGURE 2
Other factors in evaluating an in-house custodial operation.

ANNUAL COSTS		
1. Supervisory Salaries	$	60,000
2. Lead People Salary Additions		15,000
3. Personnel Support Staff Salaries		38,000
4. Cleaning Supplies		40,000
5. Equipment Repair and Purchase		10,000
6. Vehicle ($15,000 over five years)		3,000
7. Workers Compensation claims (estimate)		1,000
8. Unemployment Compensation (estimate)		1,000
9. Overtime Required (Clowes and Residence Halls)		30,000
TOTAL		**$198,000**
ONE-TIME EXPENSES		
1. Uniforms	$	6,500
2. Custodial Lounges (Can be spread over five years)		25,000
3. Equipment (Can be spread over five years)		100,000
4. Custodial Office and Storage (Can be spread over five years)		75,000
TOTAL		**$206,500**
MISCELLANEOUS SAVINGS		
1. Window Washing Contract	$	(20,000)
2. Light Bulb Replacement Labor		(2,000)
3. Housekeeping Contract		(10,000)
TOTAL		**($32,000)**

INTANGIBLES
1. Increased pride and ownership
2. Increased flexibility and control
3. Increased levels of service and quality
4. Improved quality of life for staff
5. Increased administrative burden

tracted custodial services. The assistant director of facilities management went to work immediately, ensuring that everything that was required to meet our needs and expectations was included in the specifications that we intended to use for the upcoming rebid. The resultant RFP and a portion of the specifications are included in the Appendix. Specifications can be as detailed as you choose, but most important of all, they should explicitly define the scope of services you require from the bidding contractors.

FINDING THE RIGHT CONTRACTOR

Most public institutions are obligated to conduct a public bid process. However, "pre-qualifications" can be included in the request for proposal that will help eliminate contractors not qualified to meet the specifications.

As a private university, we were able to simply invite a limited number of firms (six) to submit a proposal. We put together a group of firms that included medium-sized regional firms as well as large national firms. We also invited the existing contractor to bid as well. Care should be taken, however, in dealing with a current contractor—you want to be sure that you are not caught without a service provider for any period of time between the beginning of the selection process and the end of the current contract period.

In early April 1993, we put together a selection committee that consisted of ten to twelve people, including the dean of students, the director of conference services, the director of purchasing, a few departmental secretaries with whom we communicate daily, and a few prominent faculty members. It is absolutely critical to include many end-user groups in a decision of this nature. It helps educate the university community of many of the issues you face on a daily basis, and it will help create consensus when the contractor selection is finally made.

We then conducted a pre-bid meeting that included all of the firms who intended to submit a proposal. At this meeting, we stressed the need to improve our current levels of service in order to meet the increased expectations of our customers. The most dramatic improvement in the specifications was the addition of four supervisors, who would be dedicated solely to

supervision of a group of ten to twelve custodians and would not share in the custodial job tasks. In reviewing the current operation, we felt that the contract manager needed more than just "lead" people on a crew, and requested professionally trained supervisors in order to ensure better productivity and proper use of staff, equipment, and cleaning supplies.

Our specifications defined each task and the corresponding frequencies for each building. Rather than specifying an FTE, we requested each firm to determine a required minimum FTE with their proposal. This put the responsibility to perform on the contractor and eliminated the possibility of the contractor coming back to us in the event of nonperformance, saying that they needed more people to do the job. The FTE can be handled either way, however, depending on how you plan to administer the contract and on the school's budgeting practices. The more detailed the specifications, the less room there will be for interpretation, and this should result in a more complete proposal. There were very few questions at the pre-bid meeting, nor did we get many after each firm toured the buildings.

All six of the firms were then scheduled for formal presentations to the selection committee, all within a two-day period. After listening to the presentations, it was relatively easy to narrow the field down to two or three finalists, even before receiving their proposals. The chemistry between the owner's representatives and the contractor's representatives is critical in selecting a contractor. It is said that 75 percent of a sale is how well the buyer gets along with the salesperson. In a potentially long-term relationship such as this, good rapport is especially important.

The formal presentations also allow each member of the selection committee to discuss concerns from their own point of view, a view that many of us in facilities management may not have considered. Again, consensus is very valuable when it comes time to make the final decision.

The committee recommended three finalists to the administration who they felt could do the job adequately. Along with the senior vice president for finance and administration, we had to narrow that choice down to a single vendor. The proposals varied in cost by over 35 percent and ranged from 36.5 FTE to 51.5 FTE. The firm that recommended 51.5 FTE

(Firm A) was the most expensive, but they provided health benefits for their employees, touted good customer service, and had a formal training program for all employees. They were the committee's number one choice. Oddly enough, the firm that recommended 36.5 FTE (Firm B) was not the lowest bidder. They were the committee's second choice, and they appealed to us because they provided computerized work scheduling and simply appeared to be a more efficient operation. At 36.5 FTE, they had to be very efficient, because this was 10 FTE fewer than we determined necessary, using the APPA Custodial Staffing Guidelines! We would learn later that it was not enough people.

In a meeting with our university's vice president for finance, we discussed the options: the higher priced vendor, who provided health benefits, formal training, and emphasized customer service, vs. the lower priced firm, which seemed to have a "high-tech" approach to custodial services. My assistant and I reiterated our concern for the lower-priced firm's FTE requirements, but felt that with some of the techniques and programs that they offered, they could do the job. After adding a clause in the contract that required them to add staff if necessary and, knowing that we could not overlook a $240,000 difference in cost, we selected Firm B.

We then communicated our decision to all of the other firms we invited, which included letting them know who got the contract. Being up front with everyone will only make the industry stronger and more professional, as it will enable them to find out what their competition is doing.

It is extremely important to work with your institution's legal counsel to ensure a contract that protects you and your school from as many problems as possible. The agreement, however, is no more valuable than the paper on which its written unless both parties are willing to resolve differences when they arise. This simply reinforces the point that it is important to be comfortable with the contractor's representatives.

THE TRANSITION FROM ONE FIRM TO ANOTHER

The transition from the firm who spent thirteen years on our campus to one who had never been on our campus before did

not go smoothly, to say the least. This was not because the firm was new to our campus, however. We wanted to retain the previous firm's contract manager because we worked very well with him. We felt he was capable of performing his job but that his employer had simply failed to provide him with the necessary tools. Unfortunately, his contract contained a "no compete" clause and the old firm filed an injunction against him working for the new firm. This dispute was not resolved until the second month of the new contract, after which a new contract manager had to be hired. Because of this protracted legal dispute, the new firm lost valuable time in making that first impression with us, because we had to rely on an interim contract manager who was not familiar with our campus.

It is also important to note that our department went through some restructuring at about the same time as the beginning of the new contract period. Previously, the professional staff in the office were typically delegated a certain number of the summer's capital projects to manage, dependent upon each person's area of expertise. However, with a lighter project load coming up that summer, along with some inconsistencies in our maintenance operations, we made the assistant director of facilities management responsible for maintenance, including administering the custodial contract. This created a more logical structure, one that allowed the assistant director to focus solely on improving the maintenance side of our organization. I must reiterate the importance of being a good owner and closely monitoring a contract of this scope and visibility. And now, with our "bird dog" dedicated to this task, we could do a much better job of administering the custodial contract.

The second problem we encountered was the equipment with which Firm B started. The contract explicitly called for all new equipment, but we were continually seeing used vacuums, buffers, and so forth, and very few of the staff were provided with carts and proper supplies. We communicated our frustrations to their contract manager, but it was only after repeated requests that we began to see a few pieces of new equipment arrive on campus.

In addition, the specifications called for weekly computerized personnel reports to verify we were receiving the proper number of FTE for which we were paying. These reports were infrequent

at best, and moreover, they revealed a shortage of staffing. After writing several letters that communicated all of our frustrations, we withheld payment. It was only after this that we saw some response from the contractor. The experience was extremely frustrating, although every time we spoke with the regional manager, he agreed that we were not getting what we were promised, but that the firm would make all the necessary corrections.

To cover our bases, we contacted Firm A, our second choice during the selection process. We asked them to put together a proposal that would carry us through the end of the fiscal year. They responded very positively and guaranteed that they would provide services through the end of the fiscal year at the same price we were paying Firm B. After nine months of inadequate performance from Firm B, we terminated the contract. Before terminating the contract, however, we made a recommendation to the senior vice president for finance and administration to do so. This was not an easy recommendation because we knew it meant that at the beginning of fiscal year 1994-95 we would be paying an additional $135,000 annually for custodial services. We brought up the possibility of going in-house once more, but the start-up costs and administrative burden still outweighed the intangible benefits that might be received.

Firm A came in during the spring break, which helped them get acquainted with us and the buildings during a slower period on campus. They had a written plan that they presented to us in a meeting shortly after their arrival. They brought all new equipment on to the campus immediately and introduced us to their supervisory team. Our assistant director attended a few of their early training meetings and was impressed with the organization, which was sorely missing in their predecessor's operations. As of this writing, it has been five months since Firm A began providing custodial services for Butler University. I would be less than honest if I said we have not had any problems, but they have responded positively to all of our concerns and, yes, complaints. It is too early to say whether we will need to search further for a firm that meets our expectations, but for now, we will continue to make a good faith effort to make this relationship work.

CONCLUSION

In summary, it is critical to consider the following key elements when investigating contracted custodial services:

- Complete a comprehensive audit of your campus buildings and determine the levels of service your customers expect. The APPA Custodial Staffing Guidelines are instrumental in assisting with the audit process.
- Analyze the cost-effectiveness of an in-house operation vs. contracted services. To make this analysis complete, you must consider more than simply the hard costs of salaries, equipment, and supplies, but the "intangibles" as well. These include pride and ownership of work, flexibility and control, quality of life for the employees, and administrative burden, as well as your university's overall philosophy concerning contracted services.
- Prepare your make-or-buy analysis in a concise and professional manner. The people we report to are typically the financial people who look immediately to the bottom line. Therefore, you must be clear and concise with your entire presentation. In our case, I was extremely encouraged by the vice president's response to our presentation; he seriously considered the intangibles discussed earlier and thought them to be very real and valid concerns.
- Develop a sound selection process. With the high visibility of a daytime custodial operation, it is essential to include members of as many customer groups as possible. This will do two things. First, it will help you build consensus when making the final selection. Second, it is a valuable tool in communicating to some key customers many of the issues that you face on a daily basis as a facilities management department. When making the selection, be sure to throw out the proposals that do not "feel" good. Looking back on it, we should have known that Firm B was not capable of meeting the specifications with a staff of only 36.5 FTE, especially when our own calculations indicated a need for 46.5 FTE. Also, if the selection process includes a formal presentation of some kind, require that the contract manager attend *and* participate in the presentation. Marketing people do the talking simply to get the

account. It will be the contract manager, however, with whom you will be working day in and day out.

- Work closely with your legal counsel in developing a contract that protects you and the university from as many problems as possible. The few dollars it costs to have an attorney review a contract can potentially save thousands of dollars later in the event of a dispute. Remember that a contractor is in business to make money, but a win-win relationship is attainable.
- Monitor the transition period closely. The first few weeks, even days, of a contract are a terrific barometer for the future of the relationship. Designate one person to act as a "bird dog" to the contractor, that is, someone who will make sure they comply with all of the specifications. Butler University is a small school and our contract is nearly $1 million, so I do not feel guilty about assigning someone specifically to administer the contract, at least in the beginning. It is absolutely essential to be a good owner, and a good owner will communicate problems and concerns immediately and honestly.

In closing, the past eighteen months has been a terrific learning experience for all of us. We made mistakes along the way, but I feel that our organization is much better for it. We developed several key faculty and staff into some of our biggest fans, which helped immensely when we ran into problems with the first firm. The extra effort put into the front end of the process will pay enormous dividends for a long time to come.

Acknowledgments

I would like to express my deepest thanks to Nick Hill, the assistant director of facilities management at Butler University, for being a terrific "bird dog."

SPECIFICATIONS FOR CUSTODIAL SERVICES
BUTLER UNIVERSITY
4600 SUNSET AVENUE
INDIANAPOLIS, INDIANA 46208

INVITATION TO BIDDERS

Notice is hereby given that sealed proposals will be received:

By: Butler University
Attn: Mr. Michael Gardner
Director of Facilities Management
Indianapolis, Indiana

For: Housekeeping Services
Butler University
Indianapolis, Indiana

At: Facilities Management Office
Butler University Service Center
451 West 52nd Street
Indianapolis, Indiana

Mailing: Butler University
Facilities Management Office
4600 Sunset Avenue
Indianapolis, IN 46208

Until: 4:00 p.m., local time, Wednesday, April 21, 1993.

At that time all proposals will be opened in private. Proposals received after the hour and date set for receiving proposals will be returned unopened.

Bid security in the amount of five percent (5%) of the Bid Proposal must accompany each proposal in accordance with the Instructions of Bidders.

The University reserves the right to waive informalities in bids and to reject any and all bids.

INFORMATION FOR BIDDERS AND GENERAL CONDITIONS

1. Bids:

a. All bids MUST BE SUBMITTED on the Bid Form accompanying these specifications and must be enclosed in a sealed envelope plainly marked "Bid on Butler University Housekeeping Contract" and addressed, mailed or delivered to the place specified in the Advertisement for Bids. Bidders shall be responsible for actual delivery of bids during business hours at the above address, and it shall be sufficient to show that a bid was mailed in time to be received before scheduled closing time for receipt of bids.

b. No bidder shall stipulate any conditions not required on bid form.

c. If any person contemplating submitting a bid is in doubt as to the true meaning of any part of the specifications or other proposed contract documents, he may submit to the Director of Facilities Management, a written request for an interpretation thereof. The University will not be responsible for any other explanations or interpretations of the proposed documents. No oral explanation in regard to the meaning of the specifications will be made, and no oral interpretation will be given before the award of the contract. In case of any doubt or difference of dispute between the parties under the contract to be entered thereunder, the decision of the University's Director of the Facilities Management shall be final and binding upon the University and the successful bidder.

d. All bidders shall include in their bid prices, and shall assume and pay all taxes and contributions, both State, Federal and Municipal which are payable by virtue of the furnishing and delivery of item(s) specified herein.

e. The University reserves the right to waive informalities in bids and to reject any and all bids.

2. Signing of Bids:

a. Bids which are signed for partnership shall be signed in firm name by at least one partner or in firm name by Attorney-in-fact. If signed by Attorney-in-fact, there should be attached to bid a

Power of Attorney evidencing authority to sign bids, dated same date as proposal and executed by all partners of firm.

b. Bids which are signed for a corporation shall have the correct corporate name thereon and signature of authorized officer of corporation manually below corporate name. Title of office held by person signing for corporation shall appear below signature of officer.

c. Bids which are signed by an individual doing business under a firm name shall be signed by the individual doing business, under the proper firm name and style.

3. Bid Security:

a. Each bid shall be accompanied by a bid bond or by a certified or cashier's check acceptable to and payable without condition to Butler University in an amount of least equal to five percent (5%) of the amount bid upon. This bid security is required as a guarantee that the bidder will enter into a written contract and furnish the performance bond within the time and in the form as required by these specifications, and if the successful bidder fails to do so, the bid security will be realized upon or retained by the University. It is specifically understood that the guarantee above provided shall not be considered as liquidated damages for failure of bidder to execute and deliver the contract and performance bond, nor limit or fix bidders' liability to University for any damages sustained because of the failure to execute and deliver the required contract and performance bond.

If a bid bond is given as bid security, the amount of the bond may be stated as an amount equal to at least five percent (5%) of the amount bid upon. The bid bond shall be executed by the bidder and by a duly qualified surety company qualified to do business in the State of Indiana.

b. The bid security of the three best bidders will be retained by the University until the contract has been executed and an acceptable bond has been furnished, if required. The bid security of all other bidders will be returned to them within ten (10) days after the University has determined the best bidders.

4. Modification or Withdrawal of Bids:

Any bidder may withdraw his bid at any time prior to the scheduled closing time for the receipt of bids, but no bidder may withdraw his bid for a period of sixty (60) days after the scheduled closing time for the receipt of bids.

Only telegrams, letters and other written requests for modifications or corrections of a previously submitted bid, received by the University prior to the scheduled closing time for the receipt of bids, will be accepted. The bid will be corrected in accordance with such written requests provided that any such written request is contained in a sealed envelope plainly marked "Modifications of Bid on (item described)". Oral and telephonic modifications or corrections will not be recognized or considered. Requests for modifications or corrections of bids cannot be submitted after the scheduled closing time for the receipt of bids.

It is understood and agreed that all prices given herein include all taxes payable by virtue of the furnishing and delivery of the item(s) included within this bid.

Accompanying this bid is the bid security required to be furnished by the contract documents which is subject to retention and realization in the event the undersigned fails to execute a contract and furnish an acceptable bond as provided in the contract documents if this proposal is accepted. It is understood that the bid security of the three lowest and best bidders will be retained until the bidder to whom the contract is awarded has entered into a written contract and has furnished an acceptable bond as required by the contract documents.

Attached hereto and made a part of this bid is all information required by or requested in the contract documents.

5. Inspection of Qualifications:

If requested, the bidder will provide at his expense a visit by the University's Representative to a school or other location being serviced by the bidder.

6. Award of Contract:

See Detailed Specifications and Special Conditions.

7. Execution and Form of Contract:

The successful bidder shall, within ten (10) days after the receipt of formal notice of award of the contract to him enter into a written contract, in triplicate, on a form to be furnished by the University.

8. Contract Security: If Accepted by the University

a. The successful bidder shall at the time of entering into the written contract, furnish a performance bond in the amount specified in Paragraph 1 of the Detailed Specifications, as security for the faithful performance of his contract and for the payment of all persons performing labor and furnishing materials and equipment in connection therewith. This is an addition to the base bid lump sum. The University reserves the right to accept or reject the performance bond according to the stated cost.

The surety on such bond shall be a duly authorized surety company satisfactory to the University.

b. The successful bidder shall furnish, at his cost, to the University, no later than the time at which the executed contract and bond are returned, a properly certified copy of the current Certificate of Authority to transact business in the State of Indiana of the Surety company which propose to execute the performance bond required by the Contract Documents, such certificate to remain on file with the University. No performance bond will be approved by the University until such certificate is furnished, unless there already is on file with the University such a current certificate of such Surety Company, in which event no additional certificate of such current certificate remains in effect.

9. Assignment of Contract:

a. The Contractor shall, within (5) five days after the award of the contract, submit a written identification and notification to the state agency of the name, title, address, and telephone number of one (1) individual within its organization as a duly authorized representative to whom all correspondence, official notices and requests related to the Contractor's performance under the contract shall be addressed. The Contractor shall have the right to change or substitute the name of the individual described above as deemed necessary provided that the University is notified immediately.

b. The Contractor and its Surety shall pay for all royalties, license fees, and patent or invention rights or copyrights and defend all suits or claims for infringements of any patent or invention right or copyrights involved in the items furnished hereunder.

c. The Contractor and its Surety shall hold and save the University and its officers, agents, servants and employees harmless from liability of any nature or kind, including cost and expenses, for, or on account of, any patented or unpatented invention, process, article or appliance furnished in the performance of the contract, including it use by the Owner, unless otherwise specifically thereof.

d. Copyrights for any item specified shall be the property of the University and inure to its benefits, and Contractor shall execute such documents as University may require for the perfection thereof.

10. "Or Approved Equal" Clause:

Whenever in any of the contract documents any product is designated by the Name of Manufacturer or Vendor or by any proprietary or trade name, the standard products of manufacturers other than those specified may be accepted provided that in the University's opinion the bidder has supplied sufficient information with his bid to enable the University to determine that the bid is based on the furnishing of a product which is equal (in design, strength, durability, usefulness, efficiency, quality and convenience for the purpose intended) to the product designated in the contract documents.

11. Disputes:

In case of any doubt or difference of opinion as to the items to be furnished hereunder, the decision of the Director of the Facilities Management of the University shall be final and binding upon both parties.

12. Right of University to Terminate Contract:

In the event any provisions of the contract are violated by contractor, the University may serve written notice within sixty (60) days upon Contractor and Surety setting forth the violations and demanding compliance with the contract.

Unless within ten (10) days after serving such notice, such violations shall cease and satisfactory arrangements for correction be made, the University may terminate the contract by serving written notice upon the Contractor; but the liability of the Contractor and his Surety for such violation; and for any and all damages resulting therefrom, as well as from such termination, shall not be affected by any such termination.

13. Delivery:

Delivery shall be accomplished in the manner and to the place and at the time required by Paragraph 9a of the Detailed Specifications.

14. Payment:

Payment will be made at the time and in the manner as specified in Paragraph 4 of the Detailed Specifications.

The University may withhold payment or make such deduction as may be necessary to protect the University from loss or damage on account of defective work, claims, damages, or to pay for repair or correction of equipment furnished hereunder.

15. Detailed Specifications and Special Conditions:

Detailed Specifications and Special Conditions should be consulted for additional provisions and amendments to the General Conditions.

16. Contract Documents:

The Contract Documents shall include the Advertisement for Bids, Specifications and Addenda, Exhibits, Bid Form, Form of Contract, Letter of Award, and Form of Performance Bond, if required.

17. OSHA Compliance:

All items or services to be furnished hereunder shall meet all applicable State and Federal requirements of the Occupational Safety and Health Standard. All alleged violations and deviations from said State and Federal regulations or standards of the items or services to be furnished hereunder, must be set forth on the Bid Form at the time of submission of the bid. If at any later date the items or services contained herein shall not meet all applicable State and Federal requirements after the bidder is awarded the contract hereunder, the bidder must notify the University's Director of Facilities Management immediately, by registered mail.

18. Equal Opportunity:

Butler University is an equal opportunity employer, pursuant to Federal and State law and regulations, and all bidders submitting bids shall be considered to be an equal opportunity employer in compliance with Federal and State laws, unless the bidder sets forth on the Bid Form, to the contrary.

19. Employee Payroll:

The Contractor shall pay a minimum of $4.25 an hour to all housekeeping employees.

DETAILED SPECIFICATIONS AND SPECIAL CONDITIONS

1. Performance Bond:

The successful bidder may be required at the University's discretion to furnish a performance bond in the amount of the one year lump sum amount, countersigned by Indiana Resident Agent. Such bond must be furnished upon notification by the appropriate purchasing authority, and prior to contract award if required.

2. Inspection of Premises:

Bidders are required to completely inspect project sites prior to submitting bid in order to determine all requirements associated with the contract. Failure to do so shall not relieve the successful bidder from the necessity of furnishing and installing, without additional cost to the University any materials and equipment or performing any labor that may be required to carry out the intent of the resulting contract.

3. Right of University Regarding Bids:

The University reserves the right to waive informalities in bids and to reject any and all bids.

4. Payments:

Payment will be made to Contractor monthly, calculated in proportion to the annual lump sum contract amount, including unit price cost for any additional services provided during that time period. Applications for payment should be made between the first and fifth day of each calendar month. Application for payment shall be made upon properly certified vendor's invoices rendered in duplicate.

5. Contract Commencement:

It is the intent of the University to commence the resulting contract on June 1, 1993.

6. Award of Contract:

In awarding the contract, the University may take into consideration the skill, facilities, capacity, experience, ability, responsibility, previous work, the financial standing of the bidder or bidders; the amount of other work being carried on by the bidder; the quality and efficiency of the services to be furnished; the period of time within which the service is to be furnished; and the necessity of prompt manning of the building herein described.

7. General Terms:

a. The contract shall be between Butler University of Indiana, known as the "University" and the successful bidder known as the "Contractor" for the provision of complete custodial services for the following University buildings. The accompanying gross square footage amounts are for reference information only. The University takes no responsibility for referencing the listed gross square footage to any cleaning square footage formulas.

ATHERTON CENTER	79,717
CLOWES MEMORIAL HALL	83,444
CARTER HOUSE	2,700
FAIRBANKS BUILDING	8,300
GALLAHUE SCIENCE HALL	119,066
HEALTH CENTER	3,500
HOLCOMB BUILDING	85,309
IRWIN LIBRARY	72,000
JORDAN HALL	186,800
LILLY HALL	76,342
OBSERVATORY	5,900
PHARMACY BUILDING	49,546
RESIDENTIAL COLLEGE	166,000
ROBERTSON HALL	32,902
ROSS RESIDENCE HALL	122,500
SCHWITZER RESIDENCE HALL	118,283
SERVICE CENTER/ JORDAN ACADEMY OF DANCE	32,000

b. This contract shall be for a period of three (3) years provided, however, that the University shall have the right to cancel the contract at any annual period during the three (3) years by giving one hundred and twenty (120) days prior written notice to the Contractor before the end of the annual period. The three (3) year period will commence on the start date Contractor is required to begin work as of the starting date.

c. After the first year there may be a price adjustment on the amount of the base bid the following year, which shall be based on the Consumer's Price Index, U.S. Department of Labor Statistics, "U.S. City Average for Urban Consumers", but it shall not exceed five percent (5%). This is not an automatic increase, but shall be negotiated between the University and the Contractor.

d. If, because of riots, war, public emergency or calamity, fire, earthquake, Act of God, government restriction, labor disturbance or strike, business operations at the University shall be interrupted or stopped, performance of this contract, with the exception of monies already due and owing shall be suspended and excused to the extent commensurate with such interfering occurrence; and the expiration date of this contract may be extended for a period of time equal to the time that such default in performance is excused.

e. The Contractor shall maintain during the life of this contract, Workers Compensation, comprehensive general liability insurance, and comprehensive automobile liability insurance.

1. Kind of Insurance	Minimums of Liability
Workers Compensation (Including Employer's Liability)	1,000,000 each accident 1,000,000 Disease Policy Limit 1,000,000 Disease each
Comprehensive General	
Bodily Injury Liability	1,000,000 each accident
Property Damage Liability	1,000,000 each accident
Comprehensive Automobile (Including owned and non-owned)	
Bodily Injury Liability	
Property Damage Liability	2,000,000 Umbrella

2. The Comprehensive General Liability shall include contractual liability, personal injury liability and products liability. The definition of products hazard shall be amended by endorsement to delete the requirement for the injury and damage to occurrence "away from premises".

3. The Comprehensive General and Comprehensive Automobile Liability policy shall be endorsed to indicate that the "persons insured" provision is amended to include the following:

a. Butler University

b. Members of the Board of Trustees

c. Employees and volunteer workers of the Trustees of Butler University while acting within the scope of their duties as such.

4. The Comprehensive General Liability policy shall be endorsed to indicate the deletion of the property damage exclusion covering property "occupied by or rented to the insured, property used by the insured or property in the care, custody or the insured."

5. These policies shall contain a covenant requiring thirty (30) days written notice to Butler University Insurance and Risk Management office before cancellation, reduction or other modifications of coverage. These policies shall be primary and non-contributing with any insurance carried by Butler University shall contain a severability of interest clause in respect to gross liability, protecting each named insured as though a separate policy had been issued to each.

6. In the event that the Contractor fails to maintain and keep in force the insurance and Workmen's Compensation as herein provided, the University shall have the right to cancel and terminate the established contract forthwith and without notice. The Contractor shall advise each insuring agency to automatically renew all policies and coverage in force at the start of and resulting from this contract until notified coverage requirements are revised. Insurance certificates indicating the required minimum coverage and signed by Indiana Resident Agent shall be furnished by the Contractor prior to contract award for forwarding to the Director of Facilities Management, Butler University.

7. The Contractor shall save, keep harmless and defend the Trustees of Butler University, its employees and agents against any and all liability, claims costs of whatsoever and kind and nature for injury to or death of any person or persons and for loss of damage to any property (University or otherwise) occurring in connection with or in any way incident to or arising out of the occupancy, use, service, operations, or performance of work in connection with this contract, resulting in whole or part from the negligent acts or omissions of Contractor, employee, agent or representative of Contractor.

The Contractor shall bear the full responsibility for all risk of loss for equipment damage, including that owned or leased by the University and money or product loss resulting from vandalism or theft.

8. Facilities:

Storage for Contractor's cleaning materials and equipment shall be available in janitorial closets and other designated rooms. It shall be the Contractors responsibility to maintain the storage area in a neat and orderly manner. Toilet facilities in the buildings in which the services are to be performed will be available to the Contractor and his employees. Electrical power for light and small tool operation may be obtained without cost to Contractor from existing utilities within the building as directed by the University.

9. Use of Premises:

a. The Contractor shall accomplish the cleaning of buildings listed herein in a manner such that it shall not interfere with other scheduled activities and he shall confine his equipment and the operation of his personnel to the location established by these specifications. The majority of work shall be performed between the hours of 8:00 A.M. - 4:30 P.M., Monday through Friday in Housing Areas and 6:00 A.M. - 2:30 P.M. in Academic Areas. Work schedules will be adjusted to meet reasonable University needs, not for the Contractor's convenience.

b. Special care shall be taken by the contractor to prevent damage to the interior of the buildings in which employees are working.

c. The Contractor shall be responsible for the repair of damage to building interior or exterior which may be caused by workmen or equipment being used during the period of this contract. All such repairs shall be made to meet University requirements and to the satisfaction of the University Representative.

10. Contractor's Responsibilities:

The Contractor shall comply with the following requirements and any deviation from them must have University approval:

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a. The Contractor must furnish one (1) Full-Time Manager who is subject to call 24 hours per day, seven (7) days per week. This manager reports to the Assistant Director of Facilities Management for inspection and contract compliance purposes.

b. The Contractor must furnish four (4) Full-Time Supervisors also subject to on-call. One will be responsible for the residence halls. One will be responsible for the "horseshoe" (Jordan, Gallahue, Holcomb, and Pharmacy). One will be responsible for the remainder of the buildings. One will be responsible for nights and weekends.

c. The yearly lump sum amount is for all housekeeping services in the listed buildings. There will be no extra billing to the University. The quoted cost is guaranteed for one (1) year.

d. Inspection of the facilities may be made biweekly by the University representative. The Contractor shall furnish the University representative a completed cleaning chart for the building on a monthly basis. Biweekly inspections will be scheduled between the hours of 8:30 A.M. and 5:00 P.M. Additional inspections, if required, will be made at the convenience of the Contractor and the University Representative.

e. The Contractor shall be responsible to the University Representative for all services pertaining to this work, and any questions or suggestions from either party of the contract shall be channeled through the University Representive.

f. The Contractor will be furnished keys to the buildings included in this contract and shall be held responsible for their use or misuse. Any lost keys will be paid for by the Contractor. Any rekeying of buildings necessitated by keys being lost by the Contractor will be paid for by the Contractor. Final payment will not be made on termination of the contract, until all keys have been returned to the University.

g. The Contractor's employees shall take breaks and lunch periods in designated areas. Under no condition shall employees utilize offices or other areas for break and lunch periods.

h. The Contractor's employees shall observe the University's smoking policy at all times.

i. The Contractor shall insure that his employees do not use any office equipment, radios, televisions or other equipment located in the facilities.

j. The Contractor shall insure all University Fire, Safety and Security procedures are followed by his employees. Procedures will be supplied to Contractor by the University Representative.

k. Contractor shall report all stopped drains, broken fixtures, glass, etc., to the University Representative through the established Facilities Management work order system.

l. The Contractor's employees shall be neat and clean in appearance and shall wear an identification badge. Employees shall be uniformed in attire acceptable to the University. The badge shall have a picture of the employee with his name and company name on the face of the badge. This I.D. badge must be worn in plain sight at all times while the employee is on the premises.

m. The Contractor shall maintain control of his employees while on the Campus. Any employee whose work performance or conduct is objectionable shall be immediately removed from the University premises at the request of the University Representative.

n. The Contractor shall maintain a work force of sufficient size to do all the work as scheduled. The daily minimum number of manhours which the Contractor believes necessary to accomplish all the work as scheduled must be stated in the proposal. Scheduled work that is done unsatisfactorily shall be corrected by the Contractor by the end of the next shift, at no additional cost to the University.

11. Basic of Bid:

The Contractor shall submit a total lump sum bid on an annual basis in the space indicated on the bid form for custodial services and materials.

12. Security of Buildings:

Contractor will be provided keys for access to the buildings. No unauthorized personnel will be allowed in the facilities by the

Contractor. It shall be the Contractor's responsibility to secure all windows, doors, except classroom doors, when leaving the facility. No keys will leave the campus.

13. Personnel, Employment Practices, Staffing and Scheduling:

a. In connection with the performance of work under this contract, the Contractor agrees not to discriminate against any employee or applicant for employment because of age, race, religion, color, sex, physical condition, developmental disability or national origin. This provision shall include but not be limited to the following: employment, upgrading, demotion or transfer, recruitment or recruitment advertising, lay-off or termination, rates of pay or other forms of compensation, and selection for training, including apprenticeship. Provisions shall be made, however, due to the need for building security, to preclude employment if misrepresentation should be found in the applicant's employment record or references. The University requires a police check of each employee. Employees with felony convictions in the previous ten (10) years will not be allowed on campus. The contractor further agrees to take affirmative action to insure equal employment opportunities for persons with disabilities. The contractor agrees to post in conspicuous places available for employees and applicants for employment notices to be provided by the University setting forth the provisions of the non-discrimination clause.

b. Personnel relations of employees on the contractor's payroll shall be the contractor's responsibility. The Contractor shall comply with all applicable government regulations related to the employment compensation and payment of personnel.

c. Personnel of the Contractor shall observe all regulations of the University.

d. The Contractor shall supply the University, on a monthly basis, with a complete list of employees, supervisors and management by assigned work areas.

e. The Contractor shall supply the University with a written monthly summary of total manhours worked per building.

f. Parking on campus is restricted in certain designated areas to University faculty and staff members only who purchase permits. Daytime employees must park in unrestricted areas or purchase a parking permit from the University Safety Department. Evening employees are subject to unrestricted parking.

14. Equipment:

a. The Contractor shall furnish and maintain all equipment required to do the custodial work. Any equipment unsuitable for use shall be removed from the University's premises.

b. All Contractor furnished equipment shall be engraved or otherwise permanently identified, so that ownership can be readily determined.

c. All electrically operated equipment must possess proper grounding capabilities and must be grounded when in use.

15. Material Furnished by Owner:

The University will provide from its storeroom, by submission of a Purchasing Request Form from the Contractor to the University Representative; hand soap, paper towels, chalk, toilet tissue, entrance mats and plastic bags. It shall be the Contractor's responsibility to keep dispensers filled and clean entrance mats.

16. Work to be Done:

a. The Contractor shall furnish all labor, materials and equipment required to perform the custodial services in the buildings listed below.

Make-or-Buy Procurement of Painting Services at UVA

Don A. Hicklin

As funding for facilities management organizations continues to lag behind the needs of maintaining a university's buildings and grounds, the challenge to provide improved or even the same levels of service continues to increase. Facilities management organizations must not only meet financial constraints, they must also battle the perceptions of inefficiency and unresponsiveness associated with public sector work forces. To combat these problems, the state of Virginia, through an executive memorandum from then-governor Gerald Baliles, mandated that make-or-buy analyses be performed for services provided by the public sector.

In compliance with this memorandum, the University of Virginia developed its own competitive bidding program, which has resulted in many changes in how services are provided to the campus community. (For an overview this program, see the chapter "Virginia's Make-or-Buy Competitive Procurement Program" in this book.) Once the program began to take shape, it was realized that at least two forms of competition existed; one based on head-to-head competition on a job-by-job basis, and one on a long-term or annual basis. This chapter will investigate how the make-or-buy program has affected the physical plant operations by describing its impact on the UVA paint shop.

PAINTING SERVICES

We found early in the program that some of our craft shops, because of rate structures, were unable to compete with the

private sector. On the positive side, this resulted in a lower price to the customer for those services. On the negative, employees in these shops were unable to obtain work. The paint shop happened to be one of those shops.

Until the start of the make-or-buy program, interior and exterior painting services were provided by facilities management. Rarely was a painting request contracted out. When a painting request was submitted either from outside customers (departments) or by internal facilities personnel, in-house painters were usually given the work and the paint shop scheduled it accordingly. These experienced journeymen were well trained, they always provided top quality work at a high level of service.

Over the years, the average length of service of the journeymen kept increasing, which meant that the billing rate for these journeymen continued to rise as well. Constraints in the Virginia state personnel and procurement systems—such as automatic increases in wages on a yearly basis, the employment termination process, and working within the procurement system to provide equipment and materials on an accelerated schedule—limited management's ability to control the situation. But something had to be done.

DECIDING HOW BEST TO CONTRACT

Once the decision to contract was made at the chief facilities officer level in 1990, we began analyzing how best to contract. Should we contract out just those painting requests received from our outside customers? Since we have historical buildings and structures, should we contract everything but painting needs in the Thomas Jefferson's Academical Village? How can we do all this and improve or at least maintain the level of service? Should we utilize the Invitation for Bid (IFB) or Request for Proposal (RFP) methods of procurement? Do we need unit rates or hourly rates and obtain painting services on a time and material basis?

In the beginning, we decided to obtain one painting contractor on a unit-rate basis for interior painting projects only. But after about a year, this decision was changed. In 1991, the paint shop was unable to find enough work to cover their expenses. Once the in-house workforce was reduced, they were

unable to bid on all the university's painting project. Therefore, the decision was made to establish two separate interior painting contracts based on unit rates to increase competition. Having not one, but two interior painting contractors enhanced competition and access to service. Also in 1991, we established a contract with a painting contractor to provide competition for exterior painting projects. Since exterior painting requirements are so diverse, the decision was made to enter into a contract based on hourly rates.

Over the course of several years and through trial and error we have gradually moved toward contracting with two firms for both the university's interior and exterior painting requirements. Although the contracts are established with hourly rates, the contractors are bidding on a job-by-job basis and the bottom line is the bids they submit. In essence, there are three contractors bidding on all painting requirements. For the past two years this has proven to be the most efficient way of obtaining service from the private sector, bidding against our own in-house forces.

FINDING THE WRONG CONTRACTOR

There were problems early in the painting services make-or-buy program. The first painting contract turned out to be a disaster. The contractor selected was not able to meet the university's needs and the contract was eventually terminated on bad terms.

When we first decided to obtain an outside contractor's services, the IFB procurement process was utilized. This process favors the lowest bidder. We investigated the qualifications and experience level of the lowest-bidding qualified firm, and, although it was a small and fairly new firm entering into the marketplace, facilities management awarded them the contract. We realized that we would have to work closely with the owner of the company since this was a whole new ball game for us all.

The first painting projects came slowly and the level of service was fair. It took time for the painting contractor to become accustomed to the university's needs and such work conditions as accessibility to the project, special events, working in a hospital environment, and working around class schedules.

But all in all, we had a fair relationship. The quality of services improved slightly with each project, and our customers were pleased with the service, very enthusiastic about the make-or-buy program, and enjoyed the lower painting costs they were receiving from facilities management.

As the workload began to pick up, the contractor's level of services began to decline. The more the level of service declined, the further the contractor got behind, and the backlog of projects awarded to the contractor began to rise. Meetings were held and numerous verbal and written correspondence was initiated to get the contract back on track. The painting contractor insisted that he retain the capability of taking corrective actions and that he have the opportunity of bidding on new projects. As part of the corrective measures taken, the contractor hired new personnel and changed foremen. Rather than improving the situation, the learning curve reversed itself and the problems got worse instead of better. The contractor was unable to meet the requirements of the university and the contract was terminated. Some painting projects were not complete and emergency procurement measures were taken to obtain temporary services from local painting contractors until a new contract could be established.

FINDING THE RIGHT CONTRACTORS

Having learned from our experience, we decided that the quickest way to obtain painting services from an outside firm was to issue an IFB. Using what we learned from the first contract, we rewrote our specifications, incorporating those experiences. Some of the added specifications included the ability for the university to select two contractors instead of one, language to handle an overburdened contractor that protected both the university and the contractor, and redefining and restructuring how bids were to be received after the contract was in place. Still, contracts were to be established to handle only interior painting projects.

Once we received bids, we noticed that the prices were questionable based on the level of service outlined in the bid document. After investigating the first low bidder, we found that that apparent low bidder was not qualified based on experience and qualifications, nor did they possess what we

felt were the right number of qualified journeyman painters. The next apparent low bidder did not fill out the bid forms properly, thus the bid was rejected. Research continued on the third and fourth apparent bidders. It was determined that these firms possessed the experience, qualifications, and personnel capable of handling painting projects at the university. References were checked, financial statements were requested, telephone interviews were conducted. Everything seemed to check out in favor of the contractors. It was determined that these firms possessed the capabilities necessary to perform painting services at the University of Virginia.

CONTRACT TRANSITION

The new interior painting contracts were in effect for approximately four to six months. It was decided that a separate contract was needed to handle exterior painting requirements. Since the requirements of exterior painting differed so much from interior painting, we decided to issue a RFP procurement rather than an IFB for exterior painting. The RFP process offers a private contractor an opportunity to present to the university all of the firm's qualifications and abilities. Cost is not the driving factor. The award of the RFP is based on weighted criteria including experience, qualification, capabilities, references, location of the firm, and so forth. Price is usually only 25 percent of the total weighted score.

The RFP was also written differently since the exterior painting needs were not as well defined as the interior requirements. Unit rates would not work since each building on the grounds differed from the others. Once the exterior contracts were established, prices would be submitted on a fixed price basis. This meant that more than one contractor would be needed to provide maximum competition. Painting contractors were essentially being pre-qualified for future projects.

Prior to issuing the RFP, the university decided that exterior painting in the historic district would be top priority. Therefore, the contractors to be selected had to possess a background in historic restoration. This posed a problem because the hourly rates for contractors with historic restoration experience were higher than rates for those who did not have such experience. When proposals were received, only those possessing historic

painting experience submitted proposals. Needless to say, the rates were much higher than we had hoped. An award was made to the only qualified firm. Since the firm was of a higher caliber than most painting contractors, the decision was made to award them a contract for historic painting only. All other buildings would be handled on a spot procurement basis until a standing contract could be established for nonhistoric exterior painting needs.

Make-or-buy comparisons were completed in the interior painting and historic painting areas. Eventually we issued another RFP for exterior nonhistoric painting and awarded a contract to the qualified firm capable of handling the university's needs. It just so happened that this exterior painting contractor had both historic and nonhistoric painting experience. The historic painting contract was terminated. This left us with two contractors supplying price quotes for interior painting requirements and one contractor bidding on exterior painting requirements.

After about a year, we merged the interior and exterior painting contracts and we now have two contractors bidding against in-house forces for all our interior and exterior painting needs. The interior contractor gradually learned of our historic painting requirements and moved slowly into that arena.

This process of obtaining the right painting contractor took some time. It took us a while to adjust to working within the state procurement system and to obtain the right painting contractors based on our specified needs at the given time and circumstances. Many contractors were unable to meet our requirements. In addition, the in-house workforce was being reduced through attrition and layoffs. These factors combined at the same time made providing quality services to our customers difficult.

OBTAINING SERVICES FROM THE CONTRACTOR

Contracts are structured with unit-rate prices or hourly rates and a set procedure for supplying the university with price quotes based on these contract rates. Open-ended purchase orders were issued to the contractors, allowing payments to be made without having to issue a separate purchase order

number each time a painting project is awarded. A Request for Quotation (RFQ) is issued by the service contracts manager, which allows the contractors a period of about three to five days to obtain information about an individual painting project and return a price quotation. The RFQ references all pertinent information about the job and usually includes a date for the site visit to be held.

Once price quotes are received, the price is approved by the requestor, and the the project is awarded to one of the contractors, a Notification to Proceed (NP) is issued, giving the contractor official notice to proceed. Contractors are instructed not to begin any work until they receive this documentation.

When a painting project request is received, it is handled as a make-or-buy procurement unless otherwise requested by the requestor or end user department, and a RFQ is issued to both outside contractors and to in-house personnel. A site visit is usually required and scheduled accordingly. Since we are following semi-formal procurement procedures, a date and time for price quotes is established so everyone know what is expected. Once price quotes are received, a comparison is made between the lowest bid from the two contractors and the bid from in-house forces, thus providing data for the make-or-buy analysis. If the award is made to in-house forces, they are simply issued a work order number giving authorization to proceed with the work.

EVALUATING THE RESULTS

The process has offered many positive and some negative results. The most notable negative results being that in-house layoffs occurred and the transition process was difficult and caused a disruption in service to our customers. The positive results are numerous. Our paint shop adopted an entrepreneurial attitude, streamlined its operation, and now welcomes the opportunity to compete with the outside contractors, especially in the historic district, where experience and a higher level of service is required. Our customers are happy because of the quicker turnaround on their painting requests and the lower prices they receive due to competition. They also feel that they are no longer subject to a monopoly of in-house painting services. Facilities management has also been able to

accomplish more painting projects with less funding from the state. The backlog of painting projects has been nearly eliminated. All this is the result of introducing competition.

Comparing hourly rates, the university's painters total billing rate is $20.20 per hour, while the outside contractors bill at an average rate of $14.00 per hour. Although there is a $6.00 per hour difference, the bottom-line price is derived by productivity—the number of hours spent on the project.

Since the start of the make-or-buy program, the in-house paint shop has been awarded 51 percent of the total projects. Over the last several quarterly reporting periods, the university's paint shop has been able to bring this average up by improving its productivity through reducing the number of permanent, full-time employees, hiring painters on a part-time hourly basis, and reducing the number of hours spent on the job.

In addition, the financial structure of the university's paint shop was altered so that any balances, both positive and negative, can now be carried over throughout the year, giving the shop more flexibility when bidding on individual projects. The shop can also carry over balances from year to year. As of the date this chapter was written, the paint shop retains a positive balance. The change to a make-or-buy program has been challenging, and we will continue to search for ways to make the in-house painting operation more efficient, but we are pleased to have proven that we can successfully operate like a small entrepreneurial business.

Contracted Landscape and Turf Maintenance Services

Ted Warner

The University of Maryland at Baltimore (UMAB) campus is located in downtown Baltimore, Maryland. It encompasses about thirty-two acres, with forty-one buildings. This campus houses seven schools: the dental school, graduate school, school of law, school of medicine, school of nursing, school of pharmacy, and the school of social work. Included within the campus boundaries is the University of Maryland Hospital Center and a new Veteran's Affairs hospital; however, these two hospitals are not included in the university's landscape maintenance contract discussed here.

All operational support to the campus is provided through the office of facilities management, a division of operations and maintenance. A project manager, working within the architectural/structural department of operations and maintenance is responsible for overseeing the landscape and turf maintenance program.

HISTORY OF THE LANDSCAPING SERVICES

Until the summer of 1987, the UMAB had been providing in-house personnel to care for the ground and turf areas. At that time, the scope of care was limited to mowing the lawn. There had not been a need or desire to extend these efforts beyond keeping the grass cut. There was no program in place to control weeds or other undesirable grasses. Turf areas were not fertilized, nor was there any plan in place to control the overgrowth of the lawn onto sidewalks, walkways, or hard-surfaced areas. If an area started to look bad, someone was sent

in to take care of it. If it was a large area, a small contractor was hired. UMAB did not manage the landscaping, but merely responded to it.

The mowing was performed by a crew of four workers. The foreman of this crew also supervised a crew that patrolled the grounds for trash and litter. This foreman of the two crews reported in turn to a supervisor who oversaw the grounds crews.

The university had been considering contractual landscaping services since the mid 1980s. At that time, more attention began to be focused on the school's outside image. New buildings that included detailed landscape designs were scheduled to come on line. UMAB was concerned about the campus's appearance to the local community and to Baltimore City. Outside areas needed to look attractive to those visiting the campus.

From the academic perspective, if the outside spaces were attractive, it would leave a good first impression. That in turn could influence the awarding of research grants. Also important was the impression the campus made on future students. These concerns were and continue to be important, because first impressions are often lasting impressions.

THE DECISION TO CONTRACT

There were discussions among the various deans and senior administrators throughout the university concerning the appearance of the campus. The school had expanded its marketing, intending to increase its share of annual research grant awards. UMAB was also interested in attracting future students. There was a strong desire to make the outside spaces more attractive to everyone.

As mentioned previously, UMAB employed a crew of four to maintain the grounds. The cost of their employment was about equal to the cost of the contracted services. Internal costs consisted of equipment, equipment maintenance, and office support for payroll and other record keeping. Supervisory time was required to maintain an effective work flow. An additional cost was the expense for keeping the crew operating during the non-growing season. During these off seasons, the crew had to be transferred to other divisions. That changed the overall

scheduling of these divisions and created a scheduling nightmare.

With the decision to move to outside contracted landscape services, this staff was transferred to the trash and litter patrol crew. This change of duties did not create any major problems and allowed for a more thorough daily cleaning of the campus. The supervisor who was formerly in charge of the crew and who previously focused on typical employee issues such as scheduling, training, and discipline, evolved into contract administrator of a large and highly visible service and a campus/community liaison. The community includes the facilities, students, and senior administrators for the various schools.

Since the university decided to contract out the landscape maintenance, the level of service has increased far beyond mowing. Landscape maintenance is now divided into six primary divisions which are to be maintained in a healthy, attractive, and weed-free environment. All turf and plant material is covered by a replacement warranty. This includes existing as well as new material. The six divisions are identified below.

1. *Turf areas.* This is defined as grass within the identified campus locations.
2. *All trees and shrubs.* This is divided into two categories. The first is established older trees and shrubs. The second is new plantings and young trees.
3. *Flower beds.* These areas include annual or perennial plants or flowers.
4. *Ground cover.* These are defined as flat, sloped, or terraced open spaces where ground cover plants were chosen over turf.
5. *Planters.* These are defined as elevated or at-grade self-contained envelopes of soil and mulch, planted with a variety of plant material.
6. *Concrete and asphalt.* These are defined as sidewalks, driveways, parking lots, curbs, and streets.

THE BIDDING PROCESS

The process of finding the right contractor begins with a properly prepared bid document. The University of Maryland

at Baltimore uses a process called multi-step bidding. This document has three primary sections: a technical section, a detailed scope of work section, and general terms and conditions section. Below is a summary of each of these sections.

The Bidding Documents

The technical section of the bidding procedure includes a series of technical questions for the bidder. The questions are broken into two groups. Group one is mandatory requirements and group two is additional requirements. The answers are reviewed and scored by a committee of university representatives from facilities management and procurement and supply. Only those bidders who score 70 percent or higher on this section are considered. Bidders who score lower than 70 percent probably lack experience in similar types of projects.

Mandatory Requirements

The first part of the technical section lists mandatory requirements that the bidders must meet or exceed to be considered. These incorporate State of Maryland procurement requirements. There is also a requirement of five years of successful service under similar conditions.

Additional Requirements

These questions concern information applicable to the bidding firm's ability to manage the project. Some of the general information requested includes references and staffing. Referenced jobs must have a contact name and telephone number. All references are checked. Descriptions should contain information on site conditions as well as the contractor's management team. There are questions about the staffing plan of the bidding firm. The project manager, supervisors, and foremen must be identified. Detailed resumes and similar project experiences should be submitted.

This section should also include a profile of the bidding firm, including company history, and the main office and branch office addresses that serve the university. Annual dollar volume of sales and sales history by branch is requested. This sales information should list other jobs similar in size and price to the one under bid.

Because additional noncontract work is also required in the contract, the bidder is asked to identify how the company can perform other tasks without drawing on the resources of the landscape maintenance group. Bidders should identify the resources they have available to design, estimate, and manage the enhancement crew. Resumes and references for key people in these crews should be submitted.

The last technical requirement concerns the financial stability of the bidding firm. Complete financial reports, with footnotes for the past two years, should be included.

The second section of the multi-step bid is a review of the scope of work. The campus grounds are divided into small sectors. These sectors consist of each of the parking lots and the grounds around most of the buildings, for a total of thirty-five sectors in thirty-two acres. Expectations are defined within the six groups listed earlier.

The third section is a review of the general terms and conditions for service contracts. This section of the bid document identifies the requirements of the various parties involved. Some of these items are state of Maryland procurement regulations. The rest were generated by facilities management and procurement and supply over the years.

The state of Maryland requires that bids for major purchases by state agencies be published in the "Maryland Register." This document identifies the scope of work in very simple terms and gives the estimated dollar amount of the contract.

Pre-Bid Meeting and Bid Evaluation

The first step of the bidding process is a pre-bid meeting. This is an opportunity for all interested bidders to attend a formal presentation of the bid documents. The presentation is conducted by the project manager and a representative from procurement. All sections of the bid documents are reviewed and bidders are given an opportunity to ask questions. After this presentation, there is a walking tour of the site.

After this point the bidders are on their own, preparing their bids. The university allows from two to three weeks before bids are due. The due date is identified in the bid document. After bids have been received, the technical position of the bid is distributed to all members of the evaluation committee. The

committee reviews and scores each company's bid. This evaluation committee is made up of representatives from operations and maintenance and procurement and supply. This committee will meet to discuss and grade the technical offers from each of the bidders.

All committee members' scores are averaged together to determine the firms' scores. The price envelopes from all firms that met the 70 percent minimum score requirement are opened. Price envelopes from firms that score below 70 percent are returned unopened. The contract is awarded to the lowest bidding firm from among the 70 percent and higher scores.

The most unusual condition required by the university in the contract is a "living warranty" that requires that areas be kept healthy, attractive, and weed-free. This warranty places specific requirements on the contractor. If there is not enough rain, the contractor must water as necessary. Proper fertilization must be maintained to keep the plants looking healthy and attractive. Dead or unhealthy material must be replaced at the expense of the contractor. These contract documents identify what should be done, but the frequency is driven by the season and current weather conditions.

EVALUATION OF BID PROCESS AND SERVICE

The awarding of a contract to a qualified landscape contractor worked by identifying the university's needs and formulating the proper bid documents. The procurement of these services is complex, but not complicated. The success of the process is due to the time and effort spent to identify all possible conditions and requirements. The time must be spent identifying and preparing the scope of requirements portion of the documents. Nothing should be left to the contractor's discretion in the field after the contract is awarded. If an item of service is not clearly identified, it will probably not be executed as part of the contract.

The present landscape contract is working well. Additional sites have been added, and some changes have been made to existing sites at the contract renewal periods; however, these changes were not related to the scope of requirements, but were clarifications of the site locations. Over the past few years, various departments have begun to enhance the landscaping

around their own buildings. When such projects are planned, all parties need to agree on the additional scope of work. The cost of these services must be agreed to as well.

The grounds contract is bid as a multi-year award. The award includes a base year, with a fixed number of optional years at the request of the university. Before additional years are awarded, the scope of work can be changed. The contractor is also given an opportunity to request an increase in compensation. Any request for increases, however, must be based on the Consumer Price Index.

The university initially contracted the lanscape maintenance services for a three-year term. The first year was a base year, and the two additional years were optional. The second contract followed the same term. UMAB is currently in the base year of a five-and-a-half-year contract. There was no increase in the cost of these services between the first three-year period and the second three-year period. When prices were opened on the current contract, the rate charged to the university dropped by about 13 percent, even though the contractual requirements increased with the addition of trash removal. As a result, UMAB is now buying a complete landscape maintenance service, including trash removal, for less than it paid in 1987.

CONCLUSION

The University of Maryland at Baltimore is pleased with the results of these contracted landscape maintenance and trash removal services. By eliminating the daily management of employees and equipment, it can focus on the results in more general terms. The contractor has complete responsibility of keeping trained employees on site to resolve any imaginable problem. Between the attention paid to landscape and the invigorated trash removal, the university can feel proud of its outside appearance.

SECTION 00300

I. MULTI STEP BIDS, EVALUATION, AND FORMS

A. **Transmittal Letter**

A transmittal letter prepared on the Bidder's business stationery should accompany the Multi Step Bid. The purpose of this letter is to transmit the Multi Step Bid; therefore, it should be brief, but shall list all items contained within each volume as defined below. The letter must be signed by an individual who is authorized to bind his firm to all statements, including services and prices, contained in the Multi Step Bid.

B. **Signing of Forms**

The Multi Step Bids, if submitted by an individual, shall be signed by the individual; if submitted by a partnership, they shall be signed by such member or members of the partnership as have authority to bind the partnership; if submitted by a corporation, they shall be signed by an officer, and attested by the corporate secretary or an assistant corporate secretary. If not signed by an officer there must be attached a copy of that portion of the by-laws or a copy of a board resolution, duly certified by the corporate secretary, showing the authority of the person so signing on behalf of the corporation. Signatures shall be under seal, i.e.: indicated by the word "(Seal)" following signature of individual and partner bidders, and indicated by affixing the Corporate Seal at corporate signatures.

C. **Two Volume Submittal**

The selection procedure for procurement of this contract requires that a review of the Technical Offer of the contractors is to be distributed to the Evaluation and Selection Committee. Consequently, each bid must be submitted as two separate enclosures as indicated below. Failure to submit separate volumes may disqualify bidder's response. The Bid form(s) shall be filled out in ink or typed. Any erasures and/or alterations shall be initialed in ink by the signer.

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1. Volume I - Technical Offer

This volume should be prepared in a clear and precise manner. All appropriate points of the Multi Step Bid solicitation must be addressed except for the bid price/financial information. listed in Section 00300, c.2, Volume II - Bid Price below. The requirements for this volume are listed in Section III-D.

Only those bidders whose Technical Offer has been found acceptable by the University will have their bid prices opened. The award will be made to the lowest responsive and responsible evaluated bid of these bidders for the initial eighteen (18) month period.

The Technical Offer should be submitted in a sealed envelope separate from the Bid Price. The envelope shall have the Bidder's name, the project name and project number prominently displayed, together with the words, "TECHNICAL OFFER."

The following items should be included in the Technical Offer portion of this Multi Step Bid. (Forms for b., c., and g. are included in the bid package. Items a., d., e., and f. should be provided by Bidder.)

a. Detailed responses to the Technical Criteria listed in Section 00300, III-D. Technical Offer Requirements
b. Bid/Proposal Affidavit and its addendum
c. Certification of Corporation Registration
d. Statement regarding South Africa on bidder's stationery. (Refer to Section 00100 - Y)
e. Copy of Bidder's Business License
f. Reciprocity - Out of state bidders are to provide current policy or regulation of their resident state regarding its preference, if any, to in-state bidders. (Refer to Section 00100, AA for further information.)
g. Acknowledgement of Receipt of Addenda form

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1. RELEVANT EXPERIENCE/REFERENCES:

   a. List name, address, contact person and telephone number including area code of three (3) clients that have, or have had, contracts with your firm.

   b. These contracts should be of similar size and complexity as described herein, **both for the landscape maintenance and trash removal.**

   c. Include in this listing the following;

      (1). A brief, but informative description of the services performed;
      (2). The dollar volume for such work
      (3). The name of your site management and supervisory personnel assigned to this work.
      (4). The term of the contract (start date and completion date); if ongoing, please state as such.

   d. The University will check references of preferably 2 or 3 of the above references. The University reserves the right to verify all information given if it so chooses, as well as to check any other sources available.

      Please be sure that accurate information is provided and that the contact person is capable of speaking to your firm's capability in performing the services required. References will be held in the strictest of confidence.

      As well, please provide **two additional business references**, including name of company, contact name, and phone number. These will be used in the event the University is unable to contact one or more of the three projects given above.

2. **STAFFING PLAN**: Provide a description of your staffing plan for this work, for both the landscape management and trash removal services.

   a. Include the number of persons, and proposed duties of the personnel planned for assignment to this project for both Landscape Management and Trash Removal.

   b. Provide names of:
      (1) Project Manager
      (2) Overall Supervisor/Area Manager
      (3) Crew Leader/Foreman, landscape maintenance
      (4) Crew Leader/Foreman, trash removal

   c. Include the following for each of the above individuals:

      (1) A resume inclusive of education history, applicable training received, certifications earned, and employment history. Give dates of attendance, dates of certifications earned, and dates (start and ending) of employment.

      (2) List experience on similar projects, both with your firm and other firms (preferably those projects listed in response to the similar projects given for Item 1 above.) Give a brief one-line description of the project if not described elsewhere in the Technical Offer. Also, indicate the role the person performed for the project (i.e. supervisor, worker, etc.)

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3. PROFILE OF BIDDER: Submit a comprehensive description of your organization, include both the parent company, and any local branch office which would serve the University. Description shall include the following information:

a. Location and size of parent company, inclusive of services provided to the branch office, and to the University.

b. Location and size of branch office, inclusive of services provided to the University.

c. Brief history of the firm including;

(1). Length of time in business (specifically in landscaping and turf maintenance)
(2). Principals of the company
(3). Prior names of the business
(4). Number of employees by job categories
(5). Organizational chart of the parent company (if applicable), showing their influence on the branch office serving the University.
(6). Organizational chart of the branch office showing the scope of the organization serving the University.
(7) Annual Dollar of Sales by year for the last three (3) years. (This to be provided for both the parent company and the branch office.)

4. ADDITIONAL / ENHANCEMENT WORK

a. Identify your methods of developing a landscape plan / enhancement, how it is conceived, and your company's staffing approach.

b. It should also be noted how the work will be executed without interfering with the daily maintenance and trash removal programs.

c. Provide names of:
(1) Landscape Enhancement, estimating/design management team
(2) Crew Leader/Foreman, landscape enhancement

d. For each of the people named above provide a resume outlining their qualifications including education (with attendance dates) as well as training/certifications obtained; employment history including dates; and landscaping projects experience. Project experience should include a brief description of the project, if not explained elsewhere in the Technical Offer.

5. FINANCIAL STABILITY:

a. Submit a statement or statements indicating the Bidder's financial stability and ability to finance this contract. Such statements may consist of one or more of the following:

1. Dun and Bradstreet Financial Report including D&B rating;
2. Bonding Company analysis to determine level of bonding;
3. Current and complete annual financial report including footnotes and showing at least two (2) years data.

Statements shall be current, complete for at least two (2) years, and shall be certified where applicable.

b. Bidder to also provide a specimen insurance certificate to verify his ability to obtain the required insurance for this work. (See Section 00500/12 through 14 for requirements.)

E. EVALUATION PROCEDURE FOR TECHNICAL OFFERS IN MULTI STEP BIDS

1. Each technical offer will be evaluated by a UMAB Evaluation Committee before Bid Prices are opened. Those bidders not achieving at least 70% of the available technical points will not be considered further and will have their Bid Prices returned to them unopened.

2. Once the technical scores have been tabulated, the Bid Prices of those responsive bidders will be opened with the lowest responsible evaluated price receiving the award.

3. Debriefing of unsuccessful Bidders will be scheduled as soon as possible after the award of the contract. Requests for such debriefings must be made in writing to the Issuing Office.

F. BID PRICE AND ENCLOSURES:

1. Samples of the Bid Price Form as well as the forms to be enclosed within the Technical Offer, as listed above in paragraph III-C.2, are bound into the manual in Attachment A. (These sample forms are not intended to be removed from this book. Instead, see paragraph III-C.3, "Loose Blank Forms" above.)

MULTI-STEP BID FOR: LANDSCAPING AND TURF MAINTENANCE SERVICES
MULTI-STEP BID DUE: THURSDAY, MAY 6, 1993, AT 2:00 P.M.
PROJECT NO. 93-006

NAME OF BIDDER:_____

FID Number:_____

BID PRICE

DATE_____

The undersigned, hereby submits a bid price for the window washing services at the University of Maryland at Baltimore (UMAB) as set forth in UMAB Multi Step Bid #93-006, dated 4/13/93, and Addenda as follows:

Addendum No._____ Date_____
Addendum No._____ Date_____
Addendum No._____ Date_____
Addendum No._____ Date_____

Having received clarification on all matters upon which any doubt arose, the undersigned proposes to complete the work for the guaranteed maximum price stated on the following pages. Pricing in each category is given for the period 7/1/93 through 12/31/93 as well as 1/1/94 through 12/31/94.

Initials of signer_____ Page 1 of 8

MULTI-STEP BID FOR: LANDSCAPING AND TURF MAINTENANCE SERVICES
MULTI-STEP BID DUE: THURSDAY, MAY 6, 1993, AT 2:00 P.M.
PROJECT NO. 93-006

NAME OF BIDDER:_____

PART A: LANDSCAPE AND TURF MAINTENANCE SERVICES

Item #	Location	7/1/93-12/31/93	1/1/94-12/31/94
I.	PARKING AREAS		
II.	PINE STREET STATION		
III.	ADMINISTRATION BUILDING		
IV.	BALTIMORE STUDENT UNION		
V.	SCHOOL OF NURSING		
VI.	HEALTH SCIENCES LIBRARY		
VII.	SCHOOL OF LAW AND LAW LIBRARY (COMPLEX)		
VIII.	PASCAULT ROW		
IX.	POE BUILDING		
X.	KELLY MEMORIAL BUILDING		
XI.	MEDICAL SCHOOL COMPLEX		
XII.	UNIVERSITY PLAZA		
XIII.	DAVIDGE HALL & EAST HALL		
XIV.	SCHOOL OF SOCIAL WORK COMPLEX		
XV.	ATRIUM; MEDICAL SCHOOL TEACHING FACILITY		
XVI.	DUNNING, WHITEHURST & PARSONS HALL		
XVII.	SCHOOL OF PHARMACY AND INTERIOR PLANTERS		
XVIII.	MEDICAL BIOTECHNOLOGY CENTER/ALLIED HEALTH BUILDING		
XIX.	SCHOOL OF DENTISTRY		

Initials of signer_____ Page 2 of 8

MULTI-STEP BID FOR: LANDSCAPING AND TURF MAINTENANCE SERVICES
MULTI-STEP BID DUE: THURSDAY, MAY 6, 1993, AT 2:00 P.M.
PROJECT NO. 93-006

NAME OF BIDDER:_____

XX.	100 & 108 N. GREENE STREET BUILDINGS		
XXI.	CAMPUS		
	TOTAL BASE BID FOR PART A (ITEMS I. THROUGH XXI.)		

Initials of signer_____ Page 3 of 8

MULTI-STEP BID FOR: LANDSCAPING AND TURF MAINTENANCE SERVICES
MULTI-STEP BID DUE: THURSDAY, MAY 6, 1993, AT 2:00 P.M.
PROJECT NO. 93-006

NAME OF BIDDER:_____

PART B: ADDITIONAL/ENHANCEMENT WORK (T&M)

ITEM XXII: ADDITIONAL/ENHANCEMENT WORK (T&M):

MATERIAL COSTS: _____% OVER INVOICE

LABOR RATE:

HOURLY RATE FOR SUPERVISOR (in words and figures)

_____Dollars
($_____)

HOURLY RATE FOR GROUNDS SPECIALIST (in words and figures)

_____Dollars
($_____)

HOURLY RATE FOR LABORER/HELPER (in words and figures)

_____Dollars
($_____)

Initials of signer_____ Page 4 of 8

MULTI-STEP BID FOR: LANDSCAPING AND TURF MAINTENANCE SERVICES
MULTI-STEP BID DUE: THURSDAY, MAY 6, 1993, AT 2:00 P.M.
PROJECT NO. 93-006

NAME OF BIDDER:_____

PART C: TRASH REMOVAL SERVICES

Item #	Location	7/1/93-12/31/93	1/1/94-12/31/94
I.	PARKING AREAS		
II.	PINE STREET STATION		
III.	ADMINISTRATION BUILDING		
IV.	BALTIMORE STUDENT UNION		
V.	SCHOOL OF NURSING		
VI.	HEALTH SCIENCES LIBRARY		
VII.	SCHOOL OF LAW AND LAW LIBRARY (COMPLEX)		
VIII.	PASCAULT ROW		
IX.	POE BUILDING		
X.	KELLY MEMORIAL BUILDING		
XI.	MEDICAL SCHOOL COMPLEX		
XII.	UNIVERSITY PLAZA		
XIII.	DAVIDGE HALL & EAST HALL		
XIV.	SCHOOL OF SOCIAL WORK COMPLEX		
XV.	ATRIUM; MEDICAL SCHOOL TEACHING FACILITY		
XVI.	DUNNING, WHITEHURST & PARSONS HALL		
XVII.	SCHOOL OF PHARMACY AND INTERIOR PLANTERS		
XVIII.	MEDICAL BIOTECHNOLOGY CENTER/ALLIED HEALTH BUILDING		
XIX.	SCHOOL OF DENTISTRY		

Initials of signer_____ Page 5 of 8

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MULTI-STEP BID FOR: LANDSCAPING AND TURF MAINTENANCE SERVICES
MULTI-STEP BID DUE: THURSDAY, MAY 6, 1993, AT 2:00 P.M.
PROJECT NO. 93-006

NAME OF BIDDER:_____

XX.	100 & 108 N. GREENE STREET BUILDINGS		
XXI.	CAMPUS		
	TOTAL BASE BID FOR PART B. (ITEMS I. THROUGH XXI.)		

PART D: BROADENED/ENCHANCEMENT WORK (T&M) FOR TRASH REMOVAL SERVICES:

MATERIAL COSTS: _____% OVER INVOICE

LABOR RATE:

HOURLY RATE FOR SUPERVISOR/LEAD PERSON (in words and figures)

_____Dollars
($_____)

HOURLY RATE FOR CREW PERSON (in words and figures)

_____Dollars
($_____)

HOURLY RATE FOR LABORER/HELPER (in words and figures)

_____Dollars
($_____)

We understand that the University reserves the right to award a contract (or contracts) for all items, or any parts thereof, as set forth in detail under the information furnished in the bid document.

We further understand that this Bid Price may be rejected if it is not accompanied by the necessary 5% Bid Bond for all prices which exceed $50,000.00 or more, Bid/Proposal Affidavit and its Addendum, Certificate of Corporation Registration, and proof of the Bidder's business license.

Initials of signer_____ Page 6 of 8

MULTI-STEP BID FOR: LANDSCAPING AND TURF MAINTENANCE SERVICES
MULTI-STEP BID DUE: THURSDAY, MAY 6, 1993, AT 2:00 P.M.
PROJECT NO. 93-006

NAME OF BIDDER:_____

As well, we commit that those people named within our Technical Offer will be assigned to the University of Maryland at Baltimore for the duration of the contract. All changes to the assigned personnel must be approved in writing by the University.

We understand that the evaluation of the bid prices for the award will be based on the initial 18 month period (July 1, 1993 through December 31, 1994) for Part A - Landscaping and Turf Maintenance and Part C - Trash Removal Services. Parts B and Parts D, Time and Material Rates for additional work will not be used for the basis of award.

We acknowledge that the University's initial purchase order will be for the period 7/1/93 through 12/31/93.

(Signatures should be placed on following page.)

Initials of signer_____ Page 7 of 8

From Contracted to In-House Services at American University

Jorge J. Abud

In 1993, The American University (AU), located in Washington, D.C., ended a nine-year arrangement for contract management of its physical plant operations unit, which is responsible for maintenance and operations (M&O) functions. We decided to return to in-house management, even though we had experienced many benefits from the contracting relationship. During the period of the contract, the environment changed both within and outside the university, and our management philosophy changed as well. Changes in labor market dynamics, relationships with our employees, and our view of relationships with our customers were the major influences to these decisions. Quantitative factors were only minor influences in our original decision to contract and subsequently to return to in-house management. While some factors were specific to AU, our experience might be a useful illustration of some of the issues involved in contracting a vital service.

THE DECISION TO OUTSOURCE THE PHYSICAL PLANT

Although we had contracted for housekeeping services in 1981, our outsourcing experience was limited, and there was little literature or other source of knowledge to rely on. Unlike the decision to contract the housekeeping function, which was based almost exclusively on economic factors, the decision to

contract maintenance and operations management was much more complex and subjective.

We first learned about the potential for outsourcing our maintenance work when we were approached by a contractor. The service offered seemed to meet a need we had identified and struggled with. For several years, we had difficulty recruiting effective managers to lead physical plant operations. At that time, the labor market for experienced managers with the appropriate technical skills was very tight, and AU's salary structure limited our ability to attract the most qualified candidates. We experienced several years of frequent management turnover, fighting fires, and narrowly avoiding serious service interruptions. Service expectations were also increasing in tandem with an increasingly competitive academic program and we felt mounting pressure for service improvements.

What attracted us most about the contracting option was that the contractor offered a source of talented M&O managers. The difficult task of hiring managers would no longer be our problem. The contractor could attract qualified managers because they were constantly in the market and provided a career path for ambitious facilities professionals. Advancement opportunities for a facility manager are limited at a university, but they are virtually limitless is a contractor's organization. Additionally, the contractor offered a labor cost guarantee. Given a defined scope of responsibility and wage levels, they would carry out the responsibilities for no more than the contractually guaranteed labor cost. This seemed like an effective way to control labor and, in particular, overtime costs.

The contractor's initial analysis of our operations did not reveal the opportunity for substantial cost savings from contracting. We were neither surprised nor disturbed by the lack of potential savings. Our consideration of outsourcing was not financially driven but driven by a desire to improve service. Interestingly enough, the contractor identified small potential savings by bringing in-house several services that were being extensively outsourced—in particular, electrical and plumbing services. The contractor also presented several options for how the service could be structured. We could have all the M&O staff contracted, just the management contracted, or some other hybrid combination. This flexibility gave us a great deal

of comfort with what was a potentially controversial decision. We performed some research on competitors and found none that offered the same breadth of service and options or that had university experience. The primary weakness of other competitors was that they did not offer the option of the contractor managing our M&O staff. We checked the contractor's references and decided to recommend going forward with the contracting proposal.

The vice president for finance and treasurer and administration staff conducted the initial research into the feasibility of outsourcing. Due to perceived sensitivity to what was viewed as a radical change, the vice president discussed the proposal extensively with the president and other senior administrators. The decision was made jointly by senior administrators. Though there was some wariness about turning over management of a portion of our operations to a commercial enterprise, the level of dissatisfaction with present facilities services was so high that a consensus was reached quickly.

The decision made, we turned our attention to the important task of transition. We were very concerned about the impact of this decision on our existing employees. Meetings were held to explain the decision and deal with any false rumors. The fact that outsourcing was being considered had been openly discussed early on in the process, so the final decision was no surprise. Nonetheless, there was still a great deal of anxiety among the staff over the potential loss of jobs. Despite our assurances that no job losses were planned, distrust and anxiety remained high. Our initial plan did not require the replacement of any of the existing staff because there were vacant positions. After an initial adjustment period, however, it became clear that some employees were not going to work well in the new environment and changes were made. Within the first year the management structure settled into a hybrid organizational structure, in which some managers were contract employees and some were AU employees. The top position was intended always to remain a contract employee to ensure that the contractor retained ultimate responsibility. We thought we had the best of both worlds; new managers from the contractor and the benefit of AU-experienced managers and staff too.

CONTRACTED MANAGEMENT IN ACTION

Our customers' reaction to the outsourcing concept was skeptical at first. Universities are typically suspicious of for-profit organizations, and having to rely on such an organization to manage a vital function created a substantial degree of discomfort. For a period of time, everything that went wrong was blamed on the contractor and used as a demonstration that the decision to outsource was wrong. After this initial period, however, we started to make progress and the beneficial effects of more professional management began to have a positive impact. For several years we made steady progress in improving service levels and meeting new demands, all while keeping costs low. This improvement happened at a relatively slow pace but was still visible, and the campus community's opinion of the contractor's performance was generally positive. Gradually, our staff and customers' distrust of the contractor faded, though it always seemed to linger beneath the surface.

From a senior management point of view, the contracting arrangement was a success. Service was much improved, the M&O budget grew much more slowly than the university's budget, and the risk of disruptive service failures was reduced. As time passed, we became comfortable with the relationship and the contract managers became an integral part of the facilities management department. The contractor continued to be flexible in meeting our changing needs, and as financial pressures mounted we continued to push them to reduce costs.

It is difficult to pinpoint when this outsourcing arrangement began to deteriorate, but sometime in the sixth or seventh year of the contract, discontent among our customers and, in particular, our employees, started to become pronounced. Satisfaction with the level of service declined due, in part, to real service quality lapses. The major cause for this dissatisfaction, however, was the increasingly unrealistic expectations given the resources budgeted. The M&O budget had declined 9.7 percent in real terms, and its share of the university's total budget had declined by 18.8 percent.

Of greater concern was the level of dissatisfaction and low morale among physical plant operations employees. There was a feeling that they were not being properly led and that the quality of the contractor's managers was not up to par. There

was suspicion that the contract managers acted in the best interest of the contractor and not in the best interest of AU. There had been high turnover in one of the contractor positions, which caused employees to continually adapt to and help train a new manager. There was resentment that because of the contract arrangement, AU employees were blocked from advancing. Most devastating was that we had lost the confidence of our employees. All these underlying problems were not apparent at first. We went through several years working with the contractor to address specific issues and complaints, only to find a new round of problems. As the dissatisfaction became more vocal, the underlying causes were identified and the potential solutions examined.

It was clear that given our financial picture, we were going to need an extraordinary level of commitment from our employees. That level of commitment could not be achieved with a contractor in the management role. We finally determined that the staff confidence in the contractor (and us) was so low that there was no choice but to terminate the contract. Only this drastic action was going to help restore our employees' trust.

ANALYSIS

How did what seemed like such a success story turn into such an intractable management quagmire? The complete answer is very complex; however, the primary reason is that the university and its requirements evolved to the degree that the contractor was unable to adapt to our changing environment. The labor market dynamics and the university's salary competitiveness had changed. Our customers and their expectations had changed. Our employees and their needs and expectations had changed. Our management philosophy had changed when we decided to use total quality management principles. We failed to accurately identify these changes and give the contractor the appropriate direction. The contractor failed to identify these changes on its own and also failed to warn us about the seriousness of the mismatch between service expectations and resources devoted to M&O. When we reexamined our reasons for contracting, we recognized these changes and decided the original criteria were no longer valid. We probably should have undertaken this reexamination earlier.

There are several lessons to be learned from our experience. Contracting can be beneficial if it fits a need that you cannot meet in another manner. The reasons for contracting need to be periodically reexamined in light of the changing environment. Continuing feedback from customers and employees is an important part of this review. The structure of the contract relationship is important. We learned that it was probably not a good idea to have the contractor manage our employees. The kind of teamwork and consistent goals needed of a complex workgroup are difficult to achieve when there is the perception of divided loyalties. The mistrust that was created by this perception was transferred to our customers as well, and was a major factor in the deterioration of the contract relationship. If you need to contract, all the employees in the affected workgroup should be contract employees. You need to pay particular attention the contractor's ability to hire, retain, and develop employees. Their staff is the primary determinant to how effective they (and therefore you) are at delivering facilities services.

CONCLUSION

We found that contracting does not necessarily achieve greater economies than a moderate size university could achieve on its own. The key resources in the services we provide are people. In general you compete in the same labor market as the contractor and therefore have access to the same management and other talent. If there are structural problems that prevent you from hiring qualified staff, it is more effective to try to fix the university's systems, that trying to deal with the problem by contracting. You should have a specific objective and timetable in mind if you do contract. Once you meet the objective or the time expires, you need to consider ending the contract relationship. The approach helps impose the discipline of periodic review that is key to a successful contract.

The most important factor is defining how contracting will help you achieve your mission as a department and as an institution. When we focused on our mission, we attached greater value to working as one coherent team to achieve that mission. We put much greater value on the support of our staff and on meeting their needs. It was this change in our values

as manager, that led us to reevaluate the contract relationship. And it was the realization that true team spirit could not be achieved with a contractor that led us to return to in-house management. Keeping your mission and values at the core of your decision making will help lead you in the right direction.

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